FINANCIAL TIMES

US economy

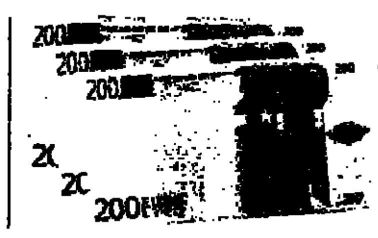
Gloating is excusable

Richard Lambert, Page 13

Space

Mapping the moon

Page 10



Preparing for Emu

ECB tones down German model

Page 2

New Russia

High life and low society

Chrystia Freeland, Page 12

World Business Newspaper http://www.FT.com TUESDAY DECEMBER 23 1997

WORLD NEWS

Blow to Russia reform team as Nemtsov loses Gazprom

Russia's economic reformers suffered a severe setback as Boris Nemtsov, first deputy prime minister, lost political authority over Gazprom, the country's largest company. Page 14; Mercedes nomenklatura, Page 12

Eurofighter go-ahead: The future of the $70bn Eurofighter project, dogged by delays since it was conceived in 1979, was secured at a ceremony in Bonn where the defence ministers of Britain, Germany, Italy and Spain committed their air forces to buying 620 aircraft. Page 2

Formula 1 collision course
The world governing body of motor sport and the European Commission are heading towards confrontation after Brussels warned that the exclusive broadcasting rights granted to Formula 1 promoter Bernie Ecclestone may breach EU competition law. Page 14

Wrangle threat over bank post
Wrangling over the presidency of the European Central Bank threatens to be the biggest problem in the run-up to the launch of Europe's single currency, according to the governor of the Bank of England. Page 14; Quizzing governor, Page 12

Baldness treatment approved
Bald men will from next month be able to try a new anti-baldness drug, Propecia, approved by the US Food and Drug Administration following trials involving almost 1,900 men. Page 6

Lithuania vote inconclusive
Lithuania's second presidential election since independence has failed to produce a clear winner. No candidate secured more than the 50 per cent required for outright victory. Page 2

Ankara expels Greek diplomat
More trouble erupted between Turkey and Greece after Ankara ordered the expulsion of a Greek diplomat for alleged spying and Athens said a Turkish envoy would be kicked out too. Page 2

Jackson's agent jailed
A court sentenced the German concert agent of US pop star Michael Jackson to 3¾ years in jail for tax evasion. The state court in Munich found Marcel Avram, 59, guilty on 12 counts involving about DM5m ($2.8m).

Poll backs Budapest
Hungary's latest opinion poll gives the ruling coalition 45 per cent of the popular vote - enough for a comfortable parliamentary majority if the result is repeated in elections next summer.

Hong Kong reserves up
Hong Kong's foreign currency reserves rose to US$96.5bn at the end of November, up 5.6 per cent from the previous month when the territory's de facto central bank has been defending the currency. Currencies, Page 21

Lockerbie trial decision
The UN says Libyans suspected of the Lockerbie bombing nine years ago would receive a fair trial in Scotland, the Crown Office in Edinburgh said.

US plea on Iraqi sites
The US is pushing the UN Security Council to demand that Iraq grant full access to suspected weapons sites. Page 5

Vatican newspaper for US
The Vatican newspaper Osservatore Romano announced that its English language edition would be printed in the US.

Miners block rail link
Russian miners demanding payment of back wages blocked the Trans-Siberian railway for about 10 hours.

BUSINESS NEWS

Coca-Cola to buy Pernod's Orangina brand for $840m

Coca-Cola of the US and Pernod Ricard of France agreed that Coca-Cola would buy Pernod's Orangina brand for FFr5bn ($840m). Page 15; Lex, Page 14

Wal-Mart Stores, the US retailer which last week sealed a deal to buy Germany's Wertkauf hypermarket group, said it was searching for more acquisitions worldwide, particularly in Europe and Japan. Page 15

The European Commission cleared the acquisition of certain subsidiaries of the American group Browning-Ferris Industries by Sita, the French company controlled by the Suez-Lyonnaise des Eaux group. Page 16

Moody's Investor Services, the international credit rating agency, has reduced the long-term sovereign ratings of South Korea, Indonesia and Thailand to junk bond status. Page 15; Needed, another miracle, Page 13; Posco secures $266m loan, Page 20

Merrill Lynch, the US investment bank, has poached NatWest Markets' UK utilities team in the bank's first serious staff defection since it was taken over by Bankers Trust. Page 18

Bupa, UK private healthcare provider, has bought Care First, the UK's largest nursing home operator, after increasing its offer from £241m to £273m ($450.5m). Page 18; Lex, Page 14

American Electric Power is to acquire Central and South West Corporation in a $6.6bn all-paper deal. Page 15

KPMG Peat Marwick, the accountancy firm, said its US partners had overwhelmingly endorsed its proposed merger with Ernst & Young. Page 16

BHF-Bank of Germany is to sell its 50 per cent stake in Charterhouse of the UK to Crédit Commercial de France for about £120m ($198m). Page 16

ABN Amro, the Dutch bank, has agreed to buy BZW Australia, the Australian and New Zealand operations of the investment banking arm of Barclays in the UK, for A$177m ($116m). Page 15

Biocompatibles and Scotia, British biotech groups, saw their shares fall sharply, underlining UK sector difficulties. Page 18

BNFL, the UK fuel reprocessor and power generator, is to merge with Magnox Electric, the technically insolvent operator of six ageing nuclear stations. Page 7

Allegheny Teledyne, a metals company based in Pittsburgh, has made an unsolicited $450m offer for Lukens, a producer of stainless steel that has already agreed to be acquired by Bethlehem Steel. Page 17

The Hongkong and Shanghai Banking Corporation has disposed of its final interest in Hutchison Whampoa group, raising HK$2.3bn ($296m). Page 17

JSkyB, the satellite broadcasting service owned by News Corporation, Sony, Softbank and Fuji TV, confirmed it was in merger talks with PerfecTV. Page 17

The Development Bank of Singapore is to take a 50.3 per cent stake in Thai Danu Bank, Thailand's 12th largest commercial bank, for Bt5.36bn ($114m). Page 17

Anglo American, South Africa's biggest group, plans to cut ties with De Beers, the world's biggest diamond mining and marketing company. Page 17; Asian turmoil hits De Beers, Page 22.

Nikkei closes below 15,000

Japan banks under threat as stocks hit two-year low

By Gillian Tett and Paul Abrahams in Tokyo

Japan's stock market fell to a two-year low yesterday, further threatening a banking system whose financial well-being is closely tied to share prices.

The Nikkei 225 index, the key stock indicator, fell 3.37 per cent to 14,799, the first time it has closed below 15,000 since 1995. If the market does not recover from that level, the capital of many banks will be below international levels.

The yen also weakened sharply to more than Y130 to the dollar, in spite of heavy intervention by the Bank of Japan last week to slow its decline.

The stock market fall and the continuing weakness of the Japanese currency are damaging the credibility of the government's attempts to tackle the country's economic problems.

Ryutaro Hashimoto, the prime minister, last week announced Y2,000bn ($15.5bn) in income tax cuts and Y10,000bn of public funds designed to support the financial sector and calm investor unease. It was the government's third emergency package in as many months.

But the widespread problems of the financial sector are raising fears of a wave of bankruptcies as cash-strapped banks cut lending to clients. The credit crunch led to the collapse last week of Toshoku, a food wholesaler.

Hiroshi Mitsuzuka, the finance minister, said the credit squeeze was one of the most serious problems facing the economy. He called on banks not to hesitate in lending to sound companies.

The Ministry of International Trade and Industry also urged investors to be prudent and blamed recent stock market falls on speculators. The Ministry of Finance yesterday denied it planned to take any measures to support the stock market.

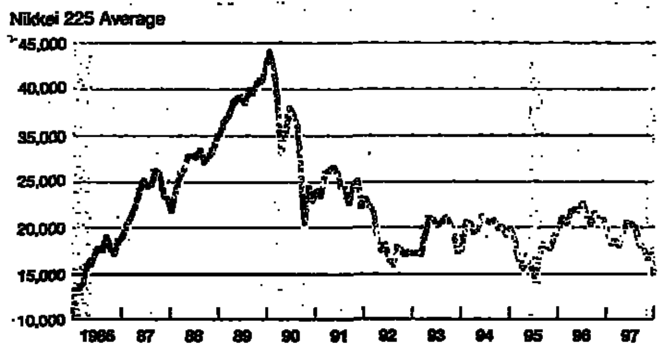
The banks appear to be under growing financial pressure, as Japan's economy grows weaker and the stock market slides.

Falls in the Nikkei have cut the value of the share portfolios held by the banks. This reduces their capital base and financial reserves. The impact is only felt when the banks report their annual results in March. But if the Nikkei stays at yesterday's level, more than half the top 19 banks would record losses on their portfolio.

This could severely hamper

Continued on Page 14
Tokyo markets, Page 3
Needed: another miracle, Page 13
World stocks, Page 32

Japan: stock market fall fuels bankruptcy fears



Source: Datastream/ICV

Mink and diamonds lose their allure in the east

By Gary Mead, Hilary Barnes and Kenneth Gooding

The vagaries of Asia's financial markets are undermining demand for furs and diamonds in the region. Wholesale fur buyers have shunned the December sale at Europe's leading fur auction in Copenhagen, while south-east Asian demand for polished diamonds has nearly disappeared.

Nervous buyers from South Korea, Japan and Hong Kong – the world's leading centres for turning raw pelts into clothing – eschewed the Copenhagen Fur Centre auction. Prices for mink and fox fur slumped by as much as 20 per cent from the last auction in September. "Even worse, almost half the skins on offer were not sold," said Erik Neergaard, the Fur Centre's sales director. "Prices at the September auctions were very high. This month buyers only bought what they needed here and now and not for stock."

South Korea and Japan each account for 13 per cent of world demand for farmed mink pelts, and 10 per cent and 7 per cent respectively for fox.

China takes 10 per cent of farmed mink and 22 per cent of fox, though Russia is still the

Continued on Page 14
Loosening ties, page 17
Fur trade adversity, Page 22
Turmoil hits De Beers, Page 22

'The future is up to you not the US'

US president Bill Clinton shakes hands with Sarajevans in the Bosnian capital yesterday. To forestall domestic criticism of his decision to scrap plans for US withdrawal by next June, he was joined on his visit by Republican Robert Dole, who challenged him for the presidency in 1996 Report, Page 2 Reuters

Wall St merger mania close to frenzy with $12bn of deals

By William Lewis in New York

The merger mania that has gripped Wall Street all year came close to a frenzy yesterday with the announcement of at least six big deals across a range of industries collectively worth more than $12bn.

They take the total value of US takeover deals announced this year to $879bn, substantially ahead of the previous record of $625bn in 1996. Worldwide, the total value of mergers and acquisitions now looks likely to reach almost $1,600bn, compared with $1,108bn last year.

"It is as intensive as it has been for two years now," said Joel Cohen, co-head of mergers and acquisitions at Donaldson, Lufkin & Jenrette, the US investment bank. "The backlog of transactions that are going to happen next year is just enormous ... and very exciting."

The largest of the deals announced yesterday was the agreed all-stock $6.6bn takeover of Central & South West by American Electric Power to create one of the largest utilities in the US with a market capitalisation of about $28bn.

Tyco, the highly acquisitive manufacturer and service conglomerate, announced the $1.77bn all-cash agreed takeover of Sherwood-Davis & Geck, the disposable medical products manufacturing division of American Home Products.

Tyco has come to epitomise the US mergers and acquisition boom. This year it has spent more than $9bn acquiring more than 25 companies, including ADT, the security group, for $5.6bn, and Keystone International, a valve and pipe manufacturer, for $1.2bn.

Yesterday, American International Group, the largest US insurer, also announced a $2.2bn offer for American Bankers Insurance, a credit insurer based in Maimi, Florida.

Homestake Mining confirmed its $640m all-stock takeover of Plutonic Mining, the Australian gold producer, and even Coca-Cola, not normally noted for its acquisition strategy, announced a FFr5bn takeover of the Orangina brand and four bottling plants in France from Pernod Ricard, the French company.

In the only big hostile bid tabled yesterday, Allegheny Teledyne, a manufacturer of speciality metals, offered $715m in cash to buy Lukens, the steel manufacturer. Allegheny said its bid was "clearly superior" to an earlier $650m offer by Bethlehem Steel to acquire Lukens.

Analysts and bankers said the scope and range of the deals announced yesterday illustrated the strength of the takeover boom in the US. Some contrasted it with Europe's so-called "Mad Monday", the day in October when five large deals were announced, which was seen by some as heralding the beginning of a European takeover boom.

Richard Peterson of Securities Data, the mergers and acquisitions data consultancy, said: "This is just a continuation of what we have been seeing all year – an unprecedented level of takeover activity".

AEP's $6.6bn deal, Page 15
AIG acquisition, Page 16
Tyco in $1.77bn takeover, Page 16

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7749.07	(-7.22)
NASDAQ Composite	1527.85	(+3.11)
Europe and Far East		
CAC40	2869.73	(+46.83)
DAX	4043.02	(-41.79)
FTSE 100	5018.2	(-2.0)
Nikkei	14,799.40	(-615.49)
US LUNCHTIME RATES		
Federal Funds	5.58%	
3-mth Treas Bills: Yld	5.432%	
Long Bond	103⅜	
Yield	5.898%	
OTHER RATES		
UK: 3-mo Interbank	7⅞%	(7⅞%)
UK: 10 yr Gilt	107.1953	(107.312)
France: 10 yr OAT	101.80	(101.98)
Germany: 10 yr Bond	105.48	(105.50)
Japan: 10 yr JGB	109.33	(109.33)
NORTH SEA OIL (Argus)		
Brent Dated	$17.08	(17.23)

GOLD		
New York: Comex		
	$291.1	(289.5)
London:		
	$291.45	(288.45)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.6643	
DM	1.78025	
FFr	5.958	
SFr	1.4375	
Y	130.33	
London:		
£	1.6635	(1.6686)
DM	1.7804	(1.7688)
FFr	5.9582	(5.9265)
SFr	1.4373	(1.4291)
Y	130.38	(128.97)
Tokyo close		Y 129.50
Sterling		
DM	2.9616	(2.9513)

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Inside

COMMENT & ANALYSIS

- **Nigeria's beleaguered leader**
Michael Holman, Page 4
- **ECB tones down German model**
Preparing for Emu, Page 2
- **Afghan peace mission stalling**
International News, Page 5

Coup veteran: Nigerian leader Sani Abacha of defies plotters, Page 4

TECHNOLOGY

- **Dream ticket to truck transport**
Technology, Page 10
- **Learning to talk with genes**
Technology, Page 10

- **Channel Tunnel development**
UK News, Page 7

FINANCE

- **Lonrho's move on JCI**
Editorial, Page 13
- **The role of the bonus**
Editorial, Page 13

EMERGING MARKETS

- **The year Asia's bubble burst**
Peter Montagnon, Page 13
- **Highlights at a glance**
Global Equity Markets, Page 31

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Tensions rise as Greece says it will retaliate after Turkey kicks out official for 'spying'

Ankara expels Greek diplomat

By John Barham in Ankara and Kerin Hope in Athens

More trouble erupted between Turkey and Greece yesterday after the Ankara government ordered the expulsion of a Greek diplomat for spying and Athens said a Turkish diplomat would be kicked out in retaliation.

The affair is likely to worsen relations between the two countries, which are nominally Nato allies but are locked in increasingly bitter disputes over territory in the Aegean sea and Cyprus and over Turkey's bid to join the European Union.

Turkey said Efstratios Haralambous, an administrative official at the Greek consulate-general in Istanbul, had "engaged in intelligence-gathering operations". Turkish press reports say intelligence agents caught him red-handed in an Istanbul hotel as he was receiving photos of military installations taken by Kurdish guerrillas.

Turkey has often accused Greece of harbouring guerrillas of the Kurdistan Workers' Party (PKK), which has been fighting Turkish forces for nearly 14 years.

Officials in Athens denied the accusation of spying and linked it to Turkey's annoyance at recently being denied equal status with other countries applying for EU membership. They said Greece would respond by asking a Turkish diplomat to leave the country.

Relations between Turkey and Greece have sunk to their lowest point in a decade. Ties began deteriorating rapidly in January 1996 when the two countries came to the verge of armed conflict over two uninhabited Aegean islets.

Turkish and Greek forces have stepped up military exercises this year as well as mock dogfights between warplanes.

US President Bill Clinton said last week that he wanted Greece and Turkey to solve what he called their irrational differences. The Greek government has played down the EU's decision not to treat Turkey as an immediate candidate for membership and made clear that it wanted to continue the drive to put relations with Turkey on a more stable basis.

Greek officials say they want to go ahead with an EU proposal for a meeting early next year between Greek and Turkish "wise men" academics who would hold a dialogue on bilateral problems.

A Greek official accused Turkey of deliberately attempting to escalate tensions between the two countries by leaking news to the media of an incident that would normally be handled discreetly.

Lithuania poll fails to produce winner

By Matej Vipotnik in Vilnius

Lithuania's second presidential election since independence has failed to produce a clear winner. No candidate secured more than 50 per cent of the popular vote required for an outright victory.

The election will now be decided in a run-off vote on January 4 between Arturas Paulauskas, a youthful former prosecutor, and Valdas Adamkus, a Lithuanian-American emigré, who respectively polled 45.35 per cent and 27.89 per cent of the vote.

Vytautas Landsbergis, parliamentary speaker, finished a distant third with 15.85 per cent of the vote.

The poor performance of Mr Landsbergis, who led Lithuania's struggle for independence in 1991, is a reflection of growing disenchantment with polarised politics, local analysts say.

Mr Landsbergis's confrontational style has alienated many of his original supporters, including members of the Sajudis movement which fought with him for Lithuania's independence.

"What you now need are consensus-builders, people without emotional baggage," said a western diplomat based in Vilnius, the capital.

Algirdas Brazauskas, the incumbent president and Lithuania's most popular politician, said as much when he announced he would not run for a second term.

Citing his own communist past, Mr Brazauskas said Lithuanian politics needed new blood.

Mr Brazauskas's words were a thinly veiled reference to Mr Landsbergis, with whom he has feuded over the years.

Opinion polls held before Sunday's first round suggest that Mr Adamkus may just edge out Mr Paulauskas if he can secure the Conservative party vote which went to Mr Landsbergis in the first round.

Vytenis Andriukaitis, a leftwing candidate who received 5.72 per cent of the vote, has already announced that he is backing Mr Adamkus.

The two candidates are both political novices who support liberal economic policies as well as accession to the European Union and Nato.

But with little to differentiate the two contenders, the campaign debate is now likely to focus on the age and difference in experience between Mr Paulauskas, who is 44, and Mr Adamkus, 72.

Incentives for Eurofighter contractors

By Alexander Nicoll in Bonn

Production contracts for the Eurofighter combat aircraft will be framed to give performance incentives to manufacturers with the aim of reducing the cost of Europe's biggest collaborative defence project.

The future of the £42bn ($70bn) project, dogged by delays since it was conceived in 1979, was secured yesterday at a ceremony in Bonn at which defence ministers of Britain, Germany, Italy and Spain signed agreements which commit their air forces to buying 620 aircraft.

The ministers made clear they saw the Eurofighter as essential to the preservation of a European aerospace and defence industry. They expected the aircraft's production to be at the core of the industrial consolidation which governments are encouraging in order to make savings in defence procurement and to increase companies' long-term competitiveness.

The two memoranda of understanding which they signed clear the way for initial production contracts to be signed with manufacturing companies within a few weeks, to be followed next summer by full contracts for the first batch of aircraft, which will arrive in 2002.

Officials said the £32bn production price, which excludes development costs, was a maximum and would be subject to detailed negotiations with manufacturing companies. Contracts would include incentives to encourage punctual delivery and cost savings.

Sir Robert Walmsley, Britain's chief of defence procurement, said that if companies succeeded in reducing costs below agreed maximum fixed prices, they would share the proceeds with the government.

Production will be led by a consortium of British Aerospace, Daimler-Benz Aerospace, Alenia of Italy and Casa of Spain. The project will provide work for up to 100,000 people in hundreds of companies, following agreed "work-shares" of 37 per cent for Britain, 30 per cent for Germany, 20 per cent for Italy and 13 per cent for Spain. This reflects the countries' orders for 232, 180, 121 and 87 aircraft respectively.

George Robertson, UK defence secretary, said that if the Eurofighter had collapsed, "the chances of any European aerospace collaboration in the future would disappear. The Americans would take over the market and could charge whatever they wanted." He said that the US government understood Europe's moves to consolidate the defence industry – which the US has done – and that competitive European companies would improve value for money for all buyers, including the US.

The Eurofighter has faced criticisms about its technical abilities and appropriateness in a post-cold war world. But proponents argue it is a high-performance, multi-role, agile and stealthy aircraft that can be used to achieve air superiority in air-to-air and air-to-ground attack, and in reconnaissance.

Let's shake on it: defence chiefs of UK, Germany, Spain and Italy – (from left) George Robertson, Volker Rühe, Eduardo Serra and Benjamino Andreatta after the signing *Reuters*

Clinton tells Bosnia: 'Build a future'

By David Buchan and Kevin Done

US President Bill Clinton paid an emotional pre-Christmas trip to Sarajevo yesterday to stress US commitment to peacekeeping, but also to urge Bosnians to do more to rebuild their country.

In neighbouring Yugoslavia, Slobodan Milosevic, the federal president, consolidated his grip on power by securing the victory of his ally Milan Milutinovic, candidate of the ruling Socialist party, in Serbia's presidential election.

The Serbian poll was condemned by international observers belonging to the Organisation for Security and Co-operation in Europe as being "fundamentally flawed". Vojislav Seselj, the losing ultra-nationalist candidate, accused the Serb authorities of fraud and ballot-rigging and said he might challenge the result.

Mr Clinton, who walked through the old city and gave a speech in its national theatre, hammered home the message to Bosnians that "the future is up to you, not to the Americans, not to the Europeans and not to anybody else".

Last week, Mr Clinton announced US troops would remain in Bosnia with other international Nato-led forces. In a bid to forestall criticism on Capitol Hill of his decision to scrap plans for US withdrawal by next June, Mr Clinton was yesterday joined on his one-day visit to Bosnia by Robert Dole, his Republican challenger for the presidency in 1996, and his wife, Elizabeth Dole, head of the American Red Cross.

Besides giving his trip this bipartisan flavour, Mr Clinton paid a pre-Christmas visit to many of the 8,500 US troops at Tuzla, in north-eastern Bosnia.

He told his audience in the Sarajevo theatre that their responsibility was to turn the Dayton peace accords signed in autumn 1995 "into a living reality".

Despite misgivings about the electoral process in Yugoslavia, there was relief among western diplomats at the failure of Mr Seselj, leader of the ultra-nationalist Radical party, to repeat his victory of earlier rounds. Mr Seselj is a sworn enemy of the Bosnia peace process.

Serbia's election commission said yesterday that Mr Milutinovic, a former federal Yugoslav foreign minister, had won 58.6 per cent of the vote in Sunday's second round run-off compared with 38.14 per cent for Mr Seselj.

The commission said the turnout was 50.53 per cent, enough to make the elections valid, but Dragan Todorovic, spokesman for Mr Seselj, claimed that turnout for 97.29 per cent of polling stations was only 49.21 per cent.

Mr Seselj claimed Mr Milosevic's Socialists had rigged the elections with false ethnic Albanian votes in the troubled province of Kosovo, where officials of the main ethnic Albanian party said there had been a near total boycott of the election.

Central bankers weigh up monetary targets

By Wolfgang Münchau
Economics Correspondent

Preparing for Emu

The European Central Bank (ECB) appears increasingly likely to adopt a mix of inflation and monetary targets in its early years after it starts operations in 1999. Senior European Union central bankers have toned down their previous insistence that the ECB should copy the German system of monetary targeting without modification from the start.

The German model is still seen as likely to prevail in the medium-to-long term, but senior officials now acknowledge the need for some flexibility in the ECB's early years.

Otmar Issing, one of the most influential members of the Bundesbank's decision-making council, has given the most explicit acknowledgement of the need for mixed targeting so far.

"Because of the great uncertainties at the beginning of economic and monetary union, a monetary target should be complemented by – as I would call it – an inflation forecast."

Under monetary targeting, a central bank targets an indicator of money supply. This policy is based on a theory according to which money supply variations cause price movements usually with a time lag of several quarters.

The Bundesbank has operated monetary targeting since 1975, but has met its self-imposed monetary targets only 12 times in the last 22 years. Under inflation targeting, the central bank targets an inflation indicator, using a mix of economic and monetary data. The UK, Sweden and Finland use this method.

The European Monetary Institute, the forerunner of the ECB, has left the choice open. Monetary targeting was seen as the hot favourite until recently, but central bankers have become more open-minded.

When presenting the Bundesbank's monetary targets for 1998 last week, Hans Tietmeyer, Bundesbank president, merely insisted that monetary targeting should play "an important role" under Emu.

Mr Issing's concession is partly an acknowledgement of the Lucas critique, named after Robert Lucas, the 1995 Nobel Prize winner in economics, who is famous for the observation that a change in policy systematically alters the structure of econometric models.

Applied to Emu, the Lucas critique says statistical relationships that appear reliable on a national level before Emu may no longer be reliable on a European level after Emu.

Mr Issing remains, however, a strong defender of monetary targeting. In a recent article*, he writes that "the Lucas critique does not imply that economic relationships will be unstable" if the authorities behave consistently.

Ivo Arnold, a monetary economist at Nijenrode University in the Netherlands, observes** that it was the success of the Bundesbank that gave credibility to monetary targeting, and not the other way round. His own research has indicated that the demand for money could be far more unstable under Emu than was widely thought.

Like many monetary economists, he has argued that inflation targeting is a more appropriate instrument for a new central bank that has yet to build up its own credibility. "The bottom line is that the Bundesbank can afford to regularly miss its monetary targets, the ECB not [yet]," he writes.

The growing scepticism about monetary targeting is influenced by forecasts that Emu might lead to upheavals in the financial sector. Experts are forecasting an increase in bank mergers, and greater use of electronic money.

Some economists argue that the choice of instrument does not matter, since central banks tend be pragmatic under any system. The opposite view holds that the choice of target still affects expectations in financial markets, and this could reverberate on the decision-making process itself.

Otmar Issing, Monetary targeting in Germany: The stability of monetary policy and of the monetary system, Journal of Monetary Economics, 39 (1997).

***Ivo Arnold, Monetary Targeting in the Emu: Lessons from the United States, Kredit und Kapital, Duncker & Humblot, Berlin, 1997, Heft 3.*

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	11.6	6.5	6.82	8.39	3.12
1988	4.2	5.4	7.65	8.84	3.61
1989	1.0	4.2	8.99	8.50	3.43
1990	3.6	5.5	8.06	8.55	3.60
1991	6.0	3.7	5.87	7.88	3.21
1992	12.4	1.9	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.78
1994	6.2	1.4	4.67	7.08	2.86
1995	−0.2	2.1	5.93	6.57	2.61
1996	−3.2	4.8	5.41	6.43	2.15
4th qtr.1996	−4.6	4.3	5.45	6.35	2.02
1st qtr.1997	−3.9	4.3	5.47	6.56	1.87
2nd qtr.1997	−4.9	4.2	5.68	6.69	1.83
3rd qtr.1997	−3.3	4.7	5.55	6.24	1.64
December 1996	−4.3	4.5	5.51	6.29	1.99
January 1997	−3.8	4.5	5.47	6.56	1.90
February	−3.5	4.5	5.40	6.42	1.84
March	−4.5	4.1	5.55	6.70	1.87
April	−5.2	4.3	5.71	6.88	1.95
May	−4.9	4.2	5.69	6.70	1.81
June	−4.7	4.1	5.65	6.48	1.73
July	−4.2	4.2	5.58	6.21	1.64
August	−2.8	4.8	5.56	6.32	1.64
September	−3.0	5.0	5.51	6.20	1.63
October	−2.1	5.2	5.55	6.02	1.60
November	−1.5	5.3	5.64	5.86	1.61

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.16	0.48
1990	2.6	8.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	−0.4	3.78	5.24	1.00
1993	3.0	1.4	2.95	4.18	0.87
1994	5.4	2.9	2.23	4.20	0.78
1995	8.2	3.2	1.22	3.39	0.86
1996	13.7	3.1	0.56	3.03	0.75
4th qtr.1996	10.6	3.1	0.52	2.82	0.77
1st qtr.1997	9.7	2.8	0.54	2.43	0.88
2nd qtr.1997	8.7	2.8	0.56	2.42	0.83
3rd qtr.1997	8.1	2.9	0.61	2.16	0.82
December 1996	10.0	3.1	0.51	2.48	0.80
January 1997	10.0	3.2	0.53	2.49	0.86
February	9.8	3.0	0.54	2.44	0.88
March	9.3	2.8	0.55	2.36	0.89
April	8.8	3.2	0.54	2.24	0.88
May	9.0	3.1	0.56	2.55	0.81
June	8.4	2.8	0.58	2.48	0.80
July	8.2	3.0	0.64	2.30	0.79
August	8.3	3.2	0.60	2.13	0.82
September	7.7	2.9	0.58	2.02	0.86
October	7.9	2.9	0.53	1.79	0.90
November	9.1	3.2	0.56	1.74	0.98

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	9.0	7.3	4.03	6.14	2.21
1988	9.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	8.66	2.11
1991	5.1	5.6	9.25	8.42	2.38
1992	7.1	8.1	9.52	7.80	2.45
1993	9.4	7.8	7.28	6.47	2.11
1994	9.6	9.0	5.36	6.86	1.77
1995	3.7	0.6	4.53	6.82	2.00
1996	10.5	7.5	3.31	6.21	1.81
4th qtr.1996	11.1	8.1	3.18	5.89	1.66
1st qtr.1997	10.3	7.7	3.19	5.72	1.52
2nd qtr.1997	9.2	6.5	3.18	5.82	1.53
3rd qtr.1997	9.0	5.9	3.24	5.61	1.34
December 1996	11.3	7.8	3.23	5.79	1.61
January 1997	11.1	8.7	3.14	5.79	1.55
February	10.1	7.4	3.19	5.58	1.50
March	9.8	7.0	3.26	5.76	1.49
April	9.3	6.5	3.23	5.90	1.60
May	9.3	6.5	3.17	5.80	1.62
June	9.0	6.4	3.14	5.75	1.46
July	9.8	6.2	3.14	5.56	1.33
August	9.1	6.0	3.26	5.66	1.32
September	8.2	5.5	3.31	5.60	1.38
October	6.5	5.1	3.58	5.58	1.37
November	6.7	4.8	3.74	5.66	1.48

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.1	11.5	8.63	9.46	2.75
1988	3.9	8.2	7.94	9.08	3.69
1989	7.6	10.0	9.40	8.79	2.88
1990	3.8	9.3	10.32	9.92	3.19
1991	−4.7	2.3	9.62	9.03	3.58
1992	−0.2	5.4	10.36	8.57	3.55
1993	1.3	−3.0	8.55	6.75	3.21
1994	2.5	1.5	5.84	7.21	2.99
1995	7.5	4.4	6.60	7.53	3.17
1996	0.8	−3.4	3.94	6.32	3.05
4th qtr.1996	0.8	−3.4	3.48	5.85	2.92
1st qtr.1997	2.0	−2.8	3.35	5.57	2.63
2nd qtr.1997	2.7	−0.7	3.44	5.72	2.81
3rd qtr.1997	6.0	0.5	3.41	5.47	2.41
December 1996	0.8	−3.4	3.44	5.76	2.85
January 1997	0.9	−3.5	3.35	5.69	2.71
February	0.5	−3.7	3.33	5.39	2.52
March	2.0	−2.8	3.37	5.59	2.63
April	2.2	−2.1	3.40	5.79	2.86
May	2.8	−1.7	3.48	5.70	2.82
June	2.7	−0.7	3.43	5.66	2.76
July	5.4	−0.3	3.39	5.42	2.39
August	5.9	0.0	3.43	5.53	2.41
September	6.0	0.5	3.41	5.47	2.42
October	8.0	1.5	3.59	5.59	2.43
November			3.69	5.58	2.57

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.4	9.6	11.32	10.58	1.94
1988	7.8	8.7	11.24	10.54	2.71
1989	7.2	9.2	12.42	11.61	2.46
1990	9.3	10.1	11.98	11.87	2.84
1991	7.3	8.5	11.83	13.20	3.45
1992	6.9	7.7	13.86	13.29	3.63
1993	4.7	7.4	10.22	11.23	2.35
1994	6.6	5.1	8.48	10.56	1.67
1995	0.2	0.4	10.38	12.22	1.72
1996	0.7	3.3	8.75	9.43	2.19
4th qtr.1996	3.4	2.8	7.52	7.89	2.28
1st qtr.1997	7.9		7.29	7.44	1.97
2nd qtr.1997	8.0		6.92	7.39	2.16
3rd qtr.1997	10.1		6.79	6.52	1.79
December 1996	3.4	2.3	7.18	7.58	2.24
January 1997	6.9		7.20	7.43	1.98
February	8.4		7.29	7.15	1.86
March	8.4		7.39	7.71	2.05
April	8.0		7.09	7.73	2.18
May	8.1		6.83	7.35	2.22
June	8.0		6.85	7.08	2.16
July	9.2		6.87	6.53	1.85
August	11.7		6.86	6.67	1.80
September	9.6		6.63	6.36	1.72
October	10.0		6.62	6.21	1.68
November			6.45	6.14	1.74

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.7	15.2	9.77	9.69	3.60
1988	6.8	17.3	10.41	9.62	4.48
1989	5.9	17.6	13.96	10.11	4.36
1990	5.3	16.1	14.82	11.56	5.07
1991	2.4	7.9	11.58	10.08	4.97
1992	2.4	5.1	9.74	9.09	4.91
1993	4.9	3.5	5.99	7.40	4.01
1994	6.4	5.1	5.57	8.01	3.94
1995	5.9	7.3	6.77	8.16	4.15
1996	6.7	10.0	6.11	7.79	4.08
4th qtr.1996	7.3	10.4	6.28	7.54	3.96
1st qtr.1997	6.7	10.8	6.34	7.39	3.79
2nd qtr.1997	6.1	11.1	6.60	7.29	3.74
3rd qtr.1997	5.6	11.7	7.21	6.95	3.49
December 1996	7.0	9.6	6.42	7.56	3.85
January 1997	7.2	10.0	6.41	7.53	3.83
February	6.4	11.2	6.29	7.17	3.73
March	6.4	11.1	6.32	7.44	3.80
April	5.9	10.5	6.48	7.61	3.85
May	6.1	11.3	6.55	7.15	3.66
June	6.2	11.6	6.77	7.10	3.70
July	5.6	11.9	7.07	7.01	3.57
August	5.0	11.6	7.25	7.05	3.48
September	6.1	11.5	7.31	6.78	3.47
October	6.4	10.7	7.38	6.47	3.39
November	6.8	10.6	7.65	6.59	3.40

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

NEWS DIGEST

Yeltsin plans return to work

Russia's president, Boris Yeltsin, said he would be back at work today, nearly two weeks after he retired to a sanatorium suffering from what the Kremlin called a cold.

The official assurances failed to dispel concern about Mr Yeltsin's health and unsettled Russia's financial markets as well as creating a climate of uncertainty. Mr Yeltsin sought to quash those fears yesterday, holding a 90-minute private meeting with Victor Chernomyrdin, the prime minister, and assuring television cameras he would be back in the Kremlin today.

"Tomorrow I'm going back to the Kremlin and to work," a weary-looking Mr Yeltsin said. "There are no traces of illness left." But Mr Yeltsin could soon take another break. Officials said he might take a holiday in early January. *Chrystia Freeland, Moscow*

■ FRENCH RIOTS

More police training pledged

France's interior minister pledged to provide greater police training after a 24-year-old man was shot dead during questioning while handcuffed in Lyons last Thursday. Jean-Pierre Chevènement deplored the incident and said the officer responsible was insufficiently punished for two previous errors of misconduct which led to his temporary suspension.

There was a wave of riots over the weekend after the shooting and another on Friday evening in Dammaire-les-Lys, east of Paris, where a 16-year-old was killed by a policeman after apparently ramming a roadblock. The government is discussing disarming local police and seeking other measures to defuse the risks and consequences of confrontation between officers and the residents of some of France's poorest urban zones. *Andrew Jack, Paris*

■ GREEK POLITICS

Simitis expels three deputies

Greece's Socialist prime minister, Costas Simitis, yesterday cracked down on dissent over the government's effort to join the European single currency by expelling three deputies from his party's parliamentary group.

The trio voted against the government's defence, environment and health spending proposals during a budget debate at the weekend. However, parliament approved the 1998 budget early yesterday by a comfortable margin of 163 to 136 votes.

Mr Simitis and his pro-European faction in the Panhellenic Socialist Movement face intensifying criticism on economic policy from a minority of dissatisfied hardliners. The prime minister is accused of abandoning the Socialists' commitment to protect low-income workers in the rush to achieve economic convergence with the rest of the EU.

Mr Simitis maintains Greece will be able to join the single currency in 2002, although it has not yet achieved any of the Maastricht criteria for membership. Next year's budget includes a virtual freeze on public sector wages and pensions, which is intended to offset higher debt-financing costs caused by sharply higher interest rates. *Kerin Hope, Athens*

■ SPANISH LOTTERY

'Double whammy' bonanza

Lady Luck delivered a seasonal "double whammy" in Spain yesterday when the draw was made in what is billed as the "biggest big prize in the world". Winners of the Christmas lottery included hundreds of deaf people in the impoverished south, and a voluble and maligned newspaper editor who is a friend of the prime minister.

About Pta35bn ($232m) was distributed in the city of Granada among customers of bars and small shops, whose owners had sold on fractions of the lucky number to their clients. The draw for the second prize won Pta14m for Pedro J. Ramírez, editor of the investigative newspaper El Mundo, whose exposure of Socialist party corruption helped José María Aznar's centre-right Popular party to win general elections last year.

The fortunes of Mr Ramírez, who plays paddle tennis with the prime minister, had taken a turn for the worse recently. A video allegedly featuring him was circulated in Spain allegedly by his political opponents. *Tom Burns, Madrid*

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S Korea's December 1997 cash-flow ($bn)

In		
Current usable reserves (inc first IMF tranche of $5.5bn)		10
Plus:	IMF 2nd tranche (approved Dec 18 1997)	3.5
	World Bank tranche (Approval expected shortly)	2
	ADB (approved last Friday)	2
	Japanese bridging loan for Dec which is expected to be repaid shortly	1.3
	Total	18.8
Out		
Private bankers say $20bn in short-term obligations due in Dec		
Government says $14bn-15bn since some of the short-term debt has been rolled over		
An unknown factor is the amount of short-term debt owed by the overseas subsidiaries of Korean banks and companies, which are not included in the government estimates of $14bn-$15bn		

Korea bonds reduced to junk status

By John Burton in Seoul

South Korea was dealt a new blow in its efforts to avoid a possible debt default as Moody's Investor Service, the US credit agency, downgraded ratings for government and corporate bonds, including those of 20 banks, to "junk bond" status of Ba1.

"This could kill businesses and increase the odds of a debt default," said Richard Samuelson, branch manager for SBC Warburg Dillon Reed in Seoul.

The Moody's credit downgrade came as Seoul tried to persuade foreign banks to roll over up to $20bn in short-term debt due by the year's end. Korea's foreign currency reserves are expected to reach $17.5bn at month's end as a result of disbursements from the International Monetary Fund's $57bn bail-out.

The government claims $14bn-$15bn in short-term debt may fall due this month since it says some loans have been renewed.

Japan has also agreed to provide a temporary bridging loan of $1.3bn this week. Lim Chang-yeul, the South Korean finance minister, yesterday requested the early disbursement of the US contribution of $5bn to the IMF rescue in a meeting with David Lipton, the US Treasury undersecretary.

"This is a crucial week for Korea. Foreign banks must decide to roll over short-term debt before going on the Christmas holidays. Korea could still hit the wall," said a European banker in Seoul.

Financial markets responded unfavourably to the Moody's announcement, with the interest rates rising by 285 basis points to 30 per cent and the South Korean currency, the won, closing at 1,715 against the US dollar, down from 1,550 on Friday. The Seoul bourse fell by only 1 per cent since the market had already anticipated the credit downgrading.

In an effort to increase foreign currency inflows, South Korea yesterday announced it would open 30 per cent of its government and short-term bond market to foreign investors from today, which follows a similar opening for medium-term bonds two weeks ago. But few analysts expect overseas investors to respond because of increased risks of corporate bankruptcies.

Kim Dae-jung, who will become South Korea's new president in late February, has previously criticised economic reforms demanded by the IMF. But he told his centre-left opposition party yesterday that "we have to utilise the IMF agreement as momentum to turn a misfortune into a blessing by faithfully observing it 100 per cent".

Mr Kim agreed in a meeting with Mr Lipton for the need to dismiss workers as part of industrial restructuring to make the economy competitive. The president-elect, who is close to trade unions, had previously said that wage freezes and shorter working hours might prevent job losses.

Meanwhile, parliament decided to postpone until December 29 the passage of financial reform legislation demanded by the IMF, which would give independence to the central bank and unify financial supervision under the finance ministry.

Malaysia steps in to prevent road toll rise

By Sheila McNulty in Kuala Lumpur

The Malaysian government said yesterday it would not sanction a politically sensitive increase in tolls on an expressway operated by UEM, a company with close ties to authorities.

The move highlights the strain the government is under to limit the fall-out from the 35 per cent drop in the value of the Malaysian ringgit against the US dollar since the financial turmoil sweeping the region took hold in July.

Observers said the decision might undermine confidence in Malaysia's privatisation programme, which had allowed for toll increases on the project.

The announcement comes weeks after the authorities controversially waived rules to let UEM buy a 32.6 per cent stake in its debt-ridden parent, Renong. Analysts viewed this as a bail-out, though the government denied it.

S. Samy Velu, works minister, said: "The government feels that with the present economic situation there should be no toll increase."

He declined to say whether the government would compensate UEM. But analysts felt certain the company would get some sort of tax break to make up for what will be lower than expected revenue.

The government, which has been discouraging price increases to lessen the impact of the regional financial crisis, moved to keep toll rates steady because that was one area in which it had direct control over prices, said Neil Saker, head of regional economic research at SocGen-Crosby Securities.

Industry executives and analysts warned that the failure to stick to the programme of toll increases might breed a feeling of insecurity among investors that agreements could be changed on a whim.

Analysts are disenchanted with the government's response to the financial crisis. Among concrete responses was the decision by Mahathir Mohamad, the prime minister, to set up a powerful group, the National Economic Action Council (NEAC), to devise policies to deal with the crisis.

He said at the weekend that Daim Zainuddin, the government's senior economic adviser, would be executive director of the NEAC. Dr Mahathir will chair the council and Anwar Ibrahim, deputy prime minister and finance minister, will be deputy chairman.

Mr Anwar and Mr Daim have long been viewed as rivals and analysts said Mr Daim's appointment represented Dr Mahathir's attempt to balance Mr Anwar's growing influence.

Mr Anwar has been gaining popularity in the financial sector for supporting what analysts believe is a more rational response to the crisis than Dr Mahathir's.

● Shares in Singapore Airlines fell yesterday as news of a crash involving its SilkAir subsidiary rattled investor confidence. Its local shares fell S$0.40 to S$7.40 and its foreign shares dropped S$0.30 to S$10.80.

All 104 passengers and crew were believed killed when a SilkAir flight from Jakarta to Singapore crashed on Friday in Indonesia. While SilkAir is a subsidiary, analysts said investors in the parent company took fright as this was the first crash of any Singapore Airlines aircraft.

Tokyo markets face a 'death spiral'

Falls in Nikkei index may have deadly knock-on effects. **Paul Abrahams and Gillian Tett report**

It's called the death spiral and Tokyo is staring it in the face. The Nikkei 225 average has plunged 13.7 per cent since Wednesday. Yesterday it fell to 14,799, a two-year low.

The stock market fall is undermining the value of banks' and life insurance companies' equities holdings, cutting into their capital. This is forcing the banks to raise additional funds by selling equities, undermining the market still further. The Nikkei collapse is also forcing banks to tighten lending, which in turn is leading to a big increase in corporate bankruptcies. That creates further selling pressure on the stock market – so undermining the value of the banks' equities holdings.

"We've got into a dangerous negative spiral; it's difficult to know what the authorities can do," says Ryoji Musha of Deutsche Morgan Grenfell in Tokyo.

At yesterday's closing Nikkei level, more than half of Japan's top 19 banks have sustained losses on their equity portfolios, according to brokers Jardine Fleming. Bank shares have fallen 32 per cent since September.

This is alarming because banks count 45 per cent of "unrealised gains" – the difference between the "market" value of the shares and the "book value" of the shares in the banks accounts – on their holdings as capital. If the market does not rebound before the financial year-end in March, many banks will have to book big losses. This will weaken their capital to assets ratio – the conventional measure of financial strength set by the Bank for International Settlements.

The issue of "unrealised gains" has become crucial because under Japanese accounting practices banks have to record a loss if the value of their share portfolio falls during the year. However, they do not record a profit if the market rises until they sell the holding.

In the 1980s, when the stock market was soaring, this accounting system left analysts assuming the banks held huge levels of "hidden" gains on their portfolios which could be used as a financial cushion if the banks ever ran into serious trouble. Earlier this decade many banks and government officials assumed these hidden gains could also be used to write off the bad debt problem if necessary.

But the ministry of finance revealed yesterday that the "hidden gains" at the end of September were only half the value of official estimates of problem loans. This means banks will have to find other ways of writing off their bad loans. They will also have to find new ways of boosting their capital.

> Banks' tighter lending has been fuelled by government plans to introduce stricter regulatory standards next April, known as 'prompt corrective action'

Banks' tighter lending has been fuelled by government plans to introduce stricter regulatory standards next April, known as "prompt corrective action". This will force banks with low capital adequacy to close. "What we are seeing is not just a credit crunch, but a capital crunch," says a senior government official.

The result is rising fears of a rash of bankruptcies. Teikoku research centre in Tokyo calculates that the number of bankruptcies triggered by banks cutting lending totalled 10 in January, with combined debts of about Y8.060bn ($62.5m). Last month there were 34 with combined losses of Y73.884bn.

With banks crunching credit, companies have been forced to find alternative funding. Nissho Iwai, a trading company, said it was considering issuing Japan's shortest ever subordinated debt – at least Y100bn to be paid back in one year so as to avoid the credit crunch.

Banks are also under threat from another direction – the life assurance companies, many of which are technically insolvent. The assurers have failed to deliver on promises of high dividends. Public confidence in life insurers has sunk and customers have been redeeming policies, especially after the collapse in April of Nissan Life.

The life assurers have also been hit by the collapse in the value of their share portfolios. The total value dropped Y2,000bn in the six months to September when the Nikkei average closed at 17,887. The index has since fallen 17.2 per cent. Jardine Fleming estimates that at this level 15 of the top 20 life companies are below the break-even level.

The fortunes of the banks and insurance companies are bound intimately. The top 16 life companies have lent banks Y8,500bn in subordinated loans – which carry a lower priority in the event of default than other debt. Mr Musha estimates that, in total, banks owe Y14,200bn of subordinated debt, which they use in their balance sheet as tier two capital.

By next March, the life companies – like the banks – must revalue their equity holdings. Unless the Nikkei rises, some insurers will be forced to recall the subordinated loans. The result, says Mr Musha, is that the banks could see a collapse in their tier two capital – squeezed by the fall in their equity portfolios and subordinated debt. The life companies could also be forced sellers of equities, adding further pressure on the market.

What are the prospects of escape from the death spiral? Some groups are trying to respond by raising capital from the capital markets. The International Bank of Japan, for example, plans to boost its tier two capital by issuing more subordinated bonds, partly to offset big write offs for bad debts.

The government is also scrabbling around for new solutions. Officials insist they will not directly intervene to support the market. But some LDP politicians are calling for the government to backtrack from its earlier plans to impose "prompt corrective action" on all the banks.

Unlike the last time when the Nikkei slumped and prompted fears of a "vicious cycle", on this occasion the stakes are high. The Nikkei is well below the levels that first provoked such panic in January. The economy is weaker than it was at the start of the year. And Big Bang deregulation is approaching. Prospects of a death spiral look increasingly alarming.

Nigeria's coup veteran defies plotters

Abacha, challenged from within the army and with the economy in decline, could face an oil embargo

When Nigeria's military leader, General Sani Abacha, seized power in November 1993, he brought a unique quality to the job.

He had played a part in almost every coup since the 1970s, including the overthrow in 1983 of Shehu Shagari, Nigeria's last civilian president, finally securing the leadership itself when he succeeded Gen Ibrahim Babangida in November 1993.

But the 54-year-old veteran will need all his guile as he tackles the consequences of one of the most serious crises of his regime – a plot to overthrow him, allegedly hatched by his deputy.

Little has been disclosed since the announcement on Sunday night that Lt Gen Oladipo Diya, deputy head of state, had been arrested, along with 11 others, including Major General Tajudeen Olarenwaju and Major General Abdulkareem Adisa, formerly ministers of communications and public works.

But the picture that emerges is of an increasingly beleaguered leader. Not only is he challenged from within the army, the economy is declining, military intervention in Sierra Leone looks close to collapse, and he faces the prospect of a Commonwealth-led embargo on the country's vital 1.4m barrels-a-day oil exports if he fails to keep his promise to hand over to civilian rule by next October. That process is looking increasingly flawed, and the target date more unrealistic by the day.

General Abacha is still living with the consequences of an earlier alleged coup attempt in 1995.

It led to the arrest of the respected former leader, General Olusegun Obasanjo and retired Major General Shehu Yaradua.

Maj Gen Yaradua died in detention last week, and Gen Obasanjo has recently been taken to hospital. There is concern too about the health of Chief Moshood Abiola, the man who won the aborted presidential elections in 1993.

Chief Abiola and Gen Obasanjo, like most of the army officers arrested at the weekend, are from the Yoruba tribe in the mainly Christian south, while Gen Abacha is from the Moslem north.

Diya: arrested

Should Chief Abiola or Gen Obasanjo die, victims of deliberate neglect, their supporters say, Nigeria's already bitter north-south hostility would intensify.

Not surprisingly, Gen Abacha has been taking no chances. Putting into practice lessons learnt as a coup-plotter, he has systematically dealt with real or imagined challengers within the armed forces.

His years in office have been marked by detentions, dismissals, transfers, forced retirements and trumped-up charges, with some 200 officers sacked between 1995 and 1996, including Maj General Chris Ali, the chief of staff.

Only the presidential unit in Abuja, the Nigerian capital which houses the presidential complex, is trusted. Other brigades are deliberately kept short of ammunition, the communications system is weak, and key posts are constantly shuffled.

In mid-1996, 120 officers were retired, and in August the same year, military administrators in all 36 states were redeployed or retired. A year later, 64 air force officers were sacked.

Last month Gen Abacha once again showed he held the reins of power by sacking the cabinet, only to reappoint swiftly about half of them.

Whether he ever intends to stand down remains in doubt. Most Nigerians think he plans to use the transition to civilian rule, which is already behind schedule, to extend his career in office.

Two of the five parties registered for next year's presidential elections have already offered to be led by him in a new civilian capacity.

Not surprisingly, there is little public enthusiasm for the polls. State assembly elections, due to be completed by September 1997 but which were postponed to December, saw a poor turnout.

On the economic front, Nigeria's plight is as grave as it has ever been. After 25 years of oil exports worth more than $220bn, the country's per capita income is no higher than it was before the oil boom, and its external debt exceeds $34bn.

Rescheduling the debt depends on an IMF agreement, which in turn would require Nigeria to end its two-tier exchange rate system, a valuable perk for the leadership.

On the foreign affairs front, what had been proclaimed as a diplomatic breakthrough is turning into a fiasco.

An unconvincing peace deal arranged between Sierra Leone's putschist leader and the Nigerian-led regional force trying to reinstall the ousted civilian government has swiftly fallen apart.

Having failed to deliver prosperity to the nation and with his promises of a return to a legitimate democracy looking less plausible by the day, this is unlikely to be the last time Gen Abacha has to slap down applicants for his job.

Michael Holman

Gen Sani Abacha: played a part in almost every coup in Nigeria since the 1970s, securing the leadership itself in November 1993 Reuters

NEWS: INTERNATIONAL

West accused of harbouring terrorists

By Robin Allen in Dubai

Europe as well as Iraq came in for criticism from the leaders of six oil-rich Gulf Arab states at the end of their annual summit in Kuwait yesterday.

Heads of state of the Gulf Co-operation Council (GCC), comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, which together have 44 per cent of proven global oil reserves, also repeated their support for the claim by the UAE to three Gulf islands occupied by Iran, but welcomed a proposal by Iran's President Mohammad Khatami to discuss the dispute.

The final communiqué also expressed the GCC's "absolute rejection" of Israeli policies which had led to "a dangerous delay" in the peace process.

In a passage clearly aimed at Europe, and Britain in particular, Gulf leaders urged states not to "give refuge to terrorist, extremist elements under the banner of protecting human rights." Britain has given political asylum to both Bahraini and Saudi dissidents.

"Deep concern" over UN allegations that Iraq was hiding biological and chemical weapons was expressed by the communiqué, which also called on Baghdad to "fulfil all UN security council resolutions without selection," and blamed Saddam Hussein for the continued suffering of the Iraqi people.

However, no mention was made of an earlier UAE proposal that a GCC delegation be sent to Baghdad to discuss all issues.

Three issues regarded as crucial to GCC development, agreement on a common external tariff and the construction of regional gas and power grids, were mentioned only in passing, although all three had been discussed at length by Gulf ministers before the summit.

Some 300 items still remain to be settled before agreement can be reached on the unified tariff, which could, delegates said, now be agreed next year.

Other surprise omissions from the final communiqué was the status of a plan to integrate command and control defence systems; and a proposal to establish a 30-member Gulf consultative council.

Gulf leaders approved a plan to allow GCC-owned banks to set up branches in other GCC countries.

But although Gulf Arab ministers have already drafted a law to attract more foreign capital to diversify their economies, the heads of state did not apparently approve it.

Afghanistan civil war tests peace envoy's perseverance

UN troubleshooter Lakhdar Brahimi takes the missions others turn down. But even he is losing hope of a solution to the 20-year conflict

When Lakhdar Brahimi, veteran United Nations troubleshooter, was asked to jump-start a failing peace initiative in Afghanistan, he believed it was just another doomed UN mission. But the soft-spoken former Algerian foreign minister has found himself in intractable disputes before. "I take such cases on because I'm foolish enough to accept them. No one else will."

But even such an optimist has doubts about the Afghan assignment, expressing concern last week about whether his mission could go on.

Mr Brahimi set out this autumn to bring Afghanistan's neighbours together for talks, convinced that peace could only start when outside powers with a stake in the conflict stopped fuelling it. To avoid pointing the finger directly at those meddling in Afghanistan, all the neighbours – Turkmenistan, Uzbekistan, Tajikistan, Pakistan and China and Iran – in addition to the US and Russia, were invited to talks, and have so far held three informal meetings at the UN.

The meetings have joined the arch-foes Washington and Tehran - an important test of US-Iranian relations following the surprise election in May of Mohammed Khatami, a moderate, as Iran's president.

The US presence is important as a sign of renewed interest in the Afghan war and for its ability to exert pressure on Pakistan, backer of the Taliban, the radical Sunni Islamist movement now in control of more than 70 per cent of Afghanistan. Although talks are at a UN ambassadorial level, Washington has sent to the meetings Karl Inderfurth, assistant secretary of state for South Asian affairs.

"That they are in the same room, talking and shaking hands, is significant," says Mr Brahimi. "The Iranians who considered the US to be using Afghanistan to further isolate them have found they were seeing too much into this."

Though other countries have asked to join the group or complained of having been excluded, Mr Brahimi has no illusion about the prospects for success, given the complexity of the Afghan war and the fact that the Taliban, believing themselves to be close to military victory, are resisting power-sharing arrangements with their opponents, an alliance of warlords believed to receive backing from other neighbours, including Shia Iran.

His frustration with the talks' progress is evident. So far, he says, the UN discussions have been disappointing. "I'm not absolutely certain we will continue," he says. "I am not sure we have enough to go on."

> 'Since the Russians left, 99 per cent of the people have no stake in the war and 50,000 partisans are holding the country hostage'

He will not point the finger at anyone, but, given the Taliban's upper hand in the conflict, it is likely their supporters in Pakistan are driving a hard bargain.

"We have created interest in the Afghan war," says Mr Brahimi. "But we do not have a peace process functioning. The UN is thrown literally at all sorts of situations and quite often people who send it know there is nothing to do and the problem is not ripe for a solution. But it helps keep their public opinion quiet and the UN is used as a scapegoat."

For Mr Brahimi, Afghanistan's 20 years of chaos is a situation where a civil war would appear to have become a kind of fatality, with no possibility of stopping.

"But when you take a closer look, you find that there is a familiar pattern, that since the Russians left, 99 per cent of the people have no stake in the war and 50,000 partisans (of various groups) are holding the country hostage and want to perpetuate the crisis," he says.

"The other familiar pattern is that the conflict is fed from the outside for various reasons, geopolitical interests or personal gains. Afghanistan produces half the heroin in the world and it is worth billions on the streets of European capitals."

Afghanistan is also at the centre of the competition for export routes for central Asia's oil and gas riches. Russia wants to maintain Central Asian republics' dependence on it and discourage pipeline routes through Afghanistan. Meanwhile, US company Unocal and a Saudi partner are looking to build oil and gas pipelines from Turkmenistan to Pakistan, crossing through Afghanistan.

Lakhdar Brahimi: No illusions about prospects for success, given the Taliban's resistance to power sharing

The so-called "six plus two" group meeting at the UN on Afghanistan may end up as just another aborted UN peace attempt.

But as Mr Brahimi says, diplomacy yields results that are not always obvious. The meetings have stirred interest in the Afghan conflict, and led high-level Pakistani and Iranian officials to hold separate talks this month during the Organisation of Islamic Conference summit in Tehran.

Getting the US and Iran to discuss Afghanistan, even as a symbolic sideshow, can contribute to moving the two countries towards a more workable relationship.

As Mr Brahimi remembers only too well, his recent mission to Iraq to convince President Saddam Hussein to readmit UN weapons inspectors was seen as a failure. Yet it helped to ease tensions, at least for a while, and paved the way for Russia to convince Mr Saddam to allow Americans on UN weapons inspection teams back into the country.

"We came back from Iraq empty-handed but what we did was offer everyone some breathing space; then Russia came in and got what we had gone out for," he says.

Roula Khalaf

US plea to UN on Iraqi sites

By Laura Silber in New York

The US last night was pushing the Security Council to demand that Iraq grant full access to suspected weapons sites.

Russia, China and France have resisted US efforts to persuade the Security Council to condemn attempts by Iraq to bar UN inspectors from presidential palaces and other "sovereign" sites.

Western diplomats say Baghdad is extending the category of off-limits sites in an effort to make it impossible for the UN to monitor and dismantle Iraq's weapons of mass destruction and their production facilities.

After meetings in Baghdad with Iraq's deputy prime minister, Tariq Aziz, the chief UN arms inspector Richard Butler last week told the Security Council that Iraq says UN inspectors can gain access to private property only if the owner gives permission.

Mr Aziz said "the most secret rooms" of sites belonging to the Republican Guard or intelligence agencies would be out bounds, too.

The largest cache of documents about Iraq's biological weapons programme ever recovered by UN inspectors was in the chicken coop of a private farm owned by Saddam Hussein's son-in-law Hussein Kamel after he defected in 1995. Western officials think Iraqi authorities planted the documents.

Iraq has also placed off-limits sites it has termed "presidential" or "sovereign", areas associated with the Presidency, including palaces, offices and resorts. Mr Aziz told Mr Butler that those sites also included headquarters of ministries, which "all had gates and high walls" but he did not offer further clarification.

The US has rejected calls to ease sanctions against Iraq, imposed after Iraq invaded Kuwait in1990.

Dhaka sets new gas bids deadline

By Kasra Naji in Dhaka

Bangladesh yesterday set itself a new deadline of mid-January to conclude negotiations with international oil and gas companies bidding to explore and develop the country's gas reserves.

Negotiators failed to meet the first deadline of mid-December as talks dragged, as the government side tried to clinch the best deal for Bangladesh. But these efforts have tested the patience of many of the companies.

"The time taken for negotiations has been prolonged because of bargaining to achieve the best deal for the government," said Mr Nurrudin Khan, energy minister.

The discovery of substantial reserves of gas in the Bay of Bengal and in the north-east of the country last year led many to believe that the country is rich in gas reserves, leading 21 companies to bid for the 12 blocks on offer.

The new deadline has been fixed after Sheikh Hasina, the prime minister, on Sunday called on the government's negotiating team to speed up the process. She also instructed the negotiating team to involve as many companies as possible.

This could help increase competition and keep many of Bangladesh's aid and trading partners happy, officials say.

But this strategy has not been welcomed by many of the oil and gas companies which have bid for several blocks on their own. The government has told these companies that they could have only one block to themselves, and in other blocks they would have to go into partnership with other companies.

The negotiations for some of the blocks which attracted only one or two bidders are already complete, and the government may announce the winners of these blocks soon.

Canadians speed phone deregulation

By Scott Morrison in Toronto

The telecommunications regulator in Canada has ruled that nine of the country's 11 provincial and territorial phone companies will be allowed to set their own long-distance rates. This is the latest step in the country's drive to deregulate fully its C$7.5bn ($5.28bn) long-distance market and the C$8.5bn local telephone market.

The ruling by the Canadian Radio-television and Telecommunications Commission (CRTC) is designed to put nine of the 11-member Stentor alliance of former telephone monopolies on an equal footing with competitors such as AT&T and Sprint, by allowing the older companies greater flexibility to introduce new services and make price changes in an increasingly competitive market.

Two Stentor carriers in Quebec will receive similar flexibility once they allow comparable access for competitors. Previously, only new competitors were free to set long-distance rates, while the Stentor companies had to comply with various regulations before they could alter tolls to meet changing market conditions.

AT&T argues that opening up the market so completely gives the Stentor companies a significant advantage because they still control about 70 per cent of the long-distance market and virtually all of the local market. AT&T said it is considering an appeal.

The CRTC also allowed the former monopolies to raise monthly residential rates by about 10 per cent to enable them more effectively to counter competitors challenging them in the long-distance and local business markets.

Residential rates have long been subsidised by higher business tariffs and long distance tolls. The ruling was the commission's third step toward rebalancing below-cost local rates and long-distance tariffs that subsidise local service.

Local rates are to remain capped for four years under a liberalisation framework announced last May.

Several of the Stentor companies, including Bell Canada, a subsidiary of BCE, had asked for a bigger increase, but it was rejected by the commission. The commission also turned down a request from the monopolies for an opportunity to raise rates beyond the basic price cap limits during the four-year period.

The commission has yet to determine how it will ensure that residential rates, particularly those in remote rural areas, do not soar once the four-year local price cap regime expires.

Growing hope for hairless

By Daniel Green

Bald men hoping for a more youthful, if less professorial, look will from next month be able to try a new anti-baldness drug that has been approved by the US Food and Drug Administration.

Merck, the US drug company that makes Propecia, said it had run clinical trials involving almost 1,900 men aged 18-41 with "mild to moderate hair loss".

In most men "hair count increased during the first year and was maintained in those men taking Propecia for 24 months", said the company.

That was in contrast to the 72 per cent of the men in the group taking a dummy pill who continued to lose hair.

The daily pill works by inhibiting the conversion of testosterone to DHT (dihydro-testosterone) and was originally developed to treat prostate problems.

There is a price to pay: about $1.25 a day and a one in 50 chance of side effects that include "a diminished desire for sex".

Fears of freeway to 'feeway'

Junk, manners and lane discipline have all been jettisoned

LETTER FROM LOS ANGELES

by Christopher Parkes

With some justification, Los Angeles boosters love to brag about the city's ingenuity and its willingness to try new ideas.

Local histories record that this inventive streak – pressing against the frontiers of traditional thinking, the possible and even nature itself – gave the world the fortune cookie, the internet, the push-up bra and the freeway.

But the task of perfecting the big ideas, with the possible exception of the quasi-Chinese after-dinner whimsy, has often been left to others.

The most obvious and most overlooked case is the freeway, a contradiction in terms in Los Angeles: a place for adventurous experimentation elsewhere.

The original concept of a fast road, free of obstacles, parked cars and traffic lights, has long since faded from popular thinking.

For Angelenos, a freeway means a free-for-all, where junk, manners and lane discipline can be jettisoned willy-nilly, and where free means free: gratis, for nothing.

Which is making life hard for proponents of the revolutionary notion – established from Singapore to Chartres – that it is time road pricing was given a run in the nation's most congested city.

Local politicians, who can spot an approaching bandwagon even when they are looking the other way, flatly denounce the idea as elitist.

Dubbed "polite highway robbery", the "Lexus lane" aka the "feeway" has been demonised even before trials and studies have been completed.

However tests with congestion pricing on two freeways just outside the LA County area have earned glowing reports.

Almost 30,000 Orange County motorists are happy to pay up to $2.95 a day for the privilege of scooting along one 10-mile stretch at a pace which cuts an average 20 minutes off their commute.

That there are usually as many rattletraps as up-market Infinitis on this alleged "high-income highway" suggests usage depends on time available rather than disposable income.

Yet despite studies which show traffic delays cost the average Los Angeles driver almost $800 a year – for an annual area total of $8.6bn – the naysayers stand fast on allegedly egalitarian arguments.

The thoughts of leaders such as one LA state assemblyman – "I don't think transportation should be based on whether or not people can afford it" – encapsulate a debate which has so far ignored the issue of how expanding and improving the city's road system is to be paid for.

The fact that the proportion of Angelenos who choose to drive to work alone is 73 per cent and rising adds evidence that affordability is hardly an issue.

Annual traffic growth of more than 2 per cent and predictions that commuting times will treble within the decade make freeway improvements the more urgent.

But for citizens hardened to wasting an average 50 hours a year immobilised in snarled traffic, urgency, like lane discipline and hand signals which deploy more than one finger, may be just another of those things they don't have time to think about.

□ □ □

"Let me through, I'm a loss adjuster!" The cry went up loud – and often – in a swish local avenue the other night.

As firefighters doused an attic blaze, no less than four insurance wizards turned up in the dead of night to offer their best deals to the family and dog as they shivered on the sidewalk.

Scanning the emergency service airwaves is established custom and practice among media types, which explains the prompt appearance overhead of a couple of TV helicopters with floodlights helpfully illuminating the scene for the crews of the three fire trucks on hand.

But others keen to exploit the business opportunities offered by disaster have evidently joined the listening circle.

The crowd was to thicken further as dawn arrived along with representatives from three roofing companies, two painters and decorators and a carpet fitter who was not needed because the considerate fire service had laid plastic throughout the house before attacking the fire from the staircases.

But the shortest shrift was given to a truck-borne television camera crew and reporter who had to be convinced the wretched residents were not famous before they would buzz off in search of a catastrophe with a name attached.

NEWS DIGEST

Test of strength for Fujimori

Peru's president, Alberto Fujimori, is expected to announce a big cabinet shuffle in the next few days, but may find it difficult to replace Gen Nicolas Hermoza Rios, who has served six years as head of Peru's armed forces.

The reshuffle has become traditional in Peru at the turn of the year but for several months, relations between the civilian government and the military have been strained. Tensions heightened late last week after Mr Fujimori indicated he was considering whether to keep Gen Hermoza in his post.

The general then resorted to a show of strength, summoning all his regional military strongmen to Lima and solemnly received their expressions of unconditional support.

Mr Fujimori hastily convened a series of meetings with cabinet colleagues, which culminated in a weekend order to the general to dispatch his regional commanders back to their provincial garrisons. To widespread relief, that order was obeyed late on Sunday night.

After giving himself the power to appoint and sack the head of the army in 1991, Mr Fujimori came to rely heavily on Gen Hermoza. But recently a series of actions by the general have harmed Peru's international image.

Mr Fujimori can claim to have won round one in the power struggle, but the acid test will be whether or not he can push aside his former ally. *Sally Bowen, Lima*

■ POPE'S VISIT

Cuba hears the Gospel

Readers of Granma, Cuba's staid Communist party daily, may have been mystified at the weekend by their first glimpse of a two-column item which was splashed across the front page.

"I bring you good news, a great joy for all the people: a Saviour has been born unto you, the Messiah, the Lord," the first paragraph read.

Was this another Granma article extolling the latest marvel of the Cuban Revolution or the immortal virtues of its leaders and martyrs?

No. The quotation was from the Gospel of St Luke, part of a Christmas message to the Cuban people from Pope John Paul II, who will make his first visit to communist-ruled Cuba in January.

Granma's publication of the message, signed Joannes Paulus II, was another significant goodwill gesture by President Fidel Castro's communist government ahead of the Papal visit on January 21-2[illegible]. Earlier this month, Mr Castro announced that Christmas Day would be restored as a national public holiday this year for the first time in three decades. *Pascal Fletcher, Havana*

■ GUYANA POLITICS

Police defuse two bombs

Police in Guyana have defused two bombs found near the official residence of Janet Jagan, who was sworn in at the weekend as president of the South American republic. The police have refused to say whether they believe the devices were intended for Mrs Jagan, the 77-year-old widow of a former president.

The incident follows the controversial installation of Mrs Jagan, following a general election a week ago. She was pronounced the winner by the Elections Commission, although all the votes had not been counted. Doodnauth Singh, chairman of the commission, said Mrs Jagan had an unassailable lead over Desmond Hoyte, her main challenger. A quick decision was intended to reduce the chances of political violence. *Canute James, Kingston*

■ VENEZUELA COMPETITION

Battery war hots up

A battery war in Venezuela between EveReady and Duracell, the two international brand names, has intensified after a recent decision by Venezuela's anti-trust agency, Pro-Competencia, to hear a case of allegedly unfair advertising by EveReady of Venezuela.

Gillette of Venezuela, owner of the Duracell brand name, said EveReady deceived consumers in a television advertisement which implied that EveReady's Energizer batteries lasted 35 per cent longer than Duracell's for high consumption appliances.

Pro-Competencia, which could order the withdrawal of the advertisement and impose a fine, expects to make a ruling by the end of January. *Raymond Colitt, Caracas*

Judge to lead year-long 'mad cow' probe

By Alison Maitland in London

BSE crisis blow by blow

- Nov 1986: BSE identified
- Dec 87: Animal feed made from sheep and cows identified as most likely cause
- Jul 88: Government bans this type of feed for cattle and sheep; cattle with BSE to be slaughtered.
- Nov 89: Ban on use of cows' brain and spinal cord in human food.
- Mar 90: European Community bans exports of UK cattle aged over six months
- May 90: BSE-type brain disease appears in cat.
- Sep 90: Laboratory transmission of BSE to pig announced. Ban on cows' brain and spinal cord in all animal feed
- 1995: First deaths from new variant CJD
- Aug 95: Controls on removal of specified bovine offals tightened
- Mar 96: Stephen Dorrell announces probable link between BSE and CJD. EU bans exports of British beef worldwide
- Aug 96: Maternal transmission of BSE reported
- Dec 97: Cases of new variant CJD reach 23, of whom 22 have died.
- Dec 97: Ban on beef on the bone. BSE cases total 170,000. 1.8m cattle over 30 months destroyed since May 1996.

A year-long inquiry is to be held into the history and handling of BSE or "mad cow disease", Jack Cunningham, agriculture minister, told the House of Commons yesterday. It will also cover the linked new variant of Creutzfeldt Jakob Disease, the fatal human brain condition.

The length of the inquiry was immediately attacked by the Conservative opposition, who said it would be used as an excuse by other European Union states to delay lifting the 21-month-old ban on British beef exports.

Lord Justice Phillips, the judge in the 1995 Maxwell fraud trial, will head the public inquiry. Tony Blair, the prime minister, has written to former prime ministers Lord Callaghan, Baroness Thatcher and John Major, asking for the release of papers to the inquiry. Lord Callaghan, the previous Labour premier, was in power from 1976 to 1979, when his government was ousted by the Thatcher-led Conservatives.

Mr Cunningham said a full, independent inquiry was being ordered because of the importance of the "national human tragedy" of new variant CJD, which has claimed 22 lives.

"BSE has also threatened the livelihood of thousands of people throughout the farming and food industries," he said. "It has cost the taxpayer huge sums, and it has caused considerable difficulties in our international relations. It has been, literally, a disaster."

Yesterday's announcement came after Mr Cunningham unveiled a one-off £85m ($140m) package of aid to UK beef and hill farmers to help them through the immediate crisis caused by the export ban, the cost of controls related to BSE and cheap beef imports.

Of this sum, £60m will be European Union compensation for the revaluation of the green pound, the rate at which Ecu-based subsidies are translated into sterling. The remaining £25m will be in extra hill farm payments next year, mainly funded by the UK.

Mr Cunningham said the payments were an exceptional gesture towards producers under intense pressure. But he said a radical restructuring of the beef sector was needed. Government support for the beef industry, totalling £2bn in 1996-97 and £1.4bn in 1997-98, could not be maintained indefinitely.

There will be early consultation with the farming industry on an early retirement scheme and other EU-funded structural measures to reduce beef production in the long term.

Sir David Naish, president of the National Farmers' Union, said he was grateful for the £85m "lifeline". However, he added: "It doesn't grasp the severity of the situation facing agriculture as a whole." The NFU has been lobbying for £960m in compensation from the EU and the government for the impact of the strong pound on the whole industry.

● Lockerbie Meat Packers yesterday blamed the "mad cow" crisis for its receivership. The southern Scotland company said it had been forced to switch from processing 400 cattle a day to 10. The company exports to France, Belgium, Italy and Greece.

MPs clear agencies of trying to 'poach' investors

By Liam Halligan, Political Correspondent

The trade and industry committee of the House of Commons has cleared British development agencies of attempting to "poach" customers from each other, but has recommended a new code of practice to regulate agencies' activities.

The committee's report, published yesterday, criticised regional development agencies for a "climate of mutual recrimination and mistrust", but dismissed claims that they deliberately bid against one another to tempt investors to relocate.

The report follows accusations by some English agencies that large capital projects, often from the Far East, were being poached by more influential bodies in Scotland and Wales.

"Regional agencies are free to promote by advertising and other means the attractions of their region," it said. Some agencies had engaged in "excessive activity" to solicit firms to consider relocation, the report added, but none had a policy of "actively seeking to persuade individual firms".

A concordat between the government's Department of Trade and Industry and its Scottish and Welsh offices on rules for inward investment is expected in 1998.

Meanwhile, the Treasury committee of the House of Commons yesterday recommended a change in the way the Barnett Formula allocates funding increases.

The formula, which gives Scotland, Wales and Northern Ireland a population-based percentage of all increases in government funding, has come under fire from some English Labour MPs, who want more money for deprived areas of England.

The Labour-dominated committee called for the formula to include "a more accurate needs assessment".

UK NEWS DIGEST

Total value of buy-outs up 20%

Management buy-out and buy-in activity in the UK surged this year, with the total value of transactions rising 20 per cent to £7.14bn ($11.8bn). But KPMG Corporate Finance, which compiles figures for buy-outs and buy-ins valued above £10m, warned that general nervousness in the world's financial markets might spark a flight to quality in UK buy-outs next year. This would mean that while 1998 could prove a yet busier year, investors would be likely to channel funds into "fewer, much larger mega-deals," Mike Stevens, KPMG head of MBO Services, said.

KPMG calculates that a heavy programme of equity fund-raising – particularly by pan-European funds – combined with the eagerness of banks to provide the debt portion of financing packages means that there is an estimated £50bn looking for a home in European companies over the next two to three years. *Katharine Campbell*

■ THE ECONOMY

Output holds steady

The level of output in the UK economy remains unchanged even though the figure for the annual rate of growth has been revised downwards, figures from the Office for National Statistics (ONS) show. The annual rate of GDP growth, measured at constant factor cost, was 3.7 per cent in the third quarter. The rate was 0.1 of a percentage point lower than its previous estimate of 3.8 per cent.

Other figures published yesterday showed that the balance of payments in the third quarter had deteriorated but still remained in surplus. The ONS said the current account was in the black by £500m, after a surplus of £1.4bn in the second quarter.

The ONS also revised down the rate of quarter-on-quarter growth, from 0.9 per cent to 0.8 per cent, compared with its estimate published last month. Yesterday's report also revised down the expansion in consumer spending from 1.2 per cent in the quarter to 0.7 per cent. The annual rate of growth is now 4.3 per cent compared with 4.5 per cent in the second quarter. *Richard Adams*

■ INTERNATIONAL TRAVEL

Half of charter flights delayed

Almost half of all charter flights at UK airports suffered heavy delays in the third quarter of the year, the Civil Aviation Authority reported yesterday. The survey of the country's 10 biggest airports showed that only 51 per cent of charter flights were on time or up to 15 minutes late, compared with 52 per cent in the same period last year.

Only 36 per cent of European charter flights at London Heathrow were on time, against 39 per cent last year. Average delays rose at all 10 airports except London Gatwick, which still had greater delays than any other airport. Average delays were 50 minutes for charter flights and 16 minutes for scheduled flights. *Arkady Ostrovsky*

■ CITIZENSHIP

Fayed ruling to stand

The government has withdrawn an appeal against a court ruling which quashed a decision to refuse British citizenship to Mohamed Fayed, owner of the Harrods store in London, and his brother, Ali. The decision was announced yesterday by Jack Straw, the home secretary, who also said that all future applicants rejected for citizenship would be told the reasons for refusal.

Last year the Appeal Court ruled that Mr Fayed and his brother, who had lived in Britain for more than 30 years, had been unfairly treated in 1995 by Michael Howard, the then Conservative home secretary, and quashed his decision not to grant them citizenship. Mr Fayed was a central figure in the "cash for questions" affair in which some Conservative MPs were accused of accepting payment for asking questions in the House of Commons.

Under the previous government, the Home Office decided to appeal to the House of Lords, acting as the highest appeal court, against the ruling but Mr Straw said that he had now instructed those appeals to be withdrawn. "It will now fall to me to decide the applications on Mohamed and Ali Fayed, on their merits, and I cannot comment upon them further at this stage," he said.

■ ENERGY

Nuclear industry restructured

The final stage in the restructuring of Britain's state-owned nuclear industry was announced yesterday with a complicated merger between BNFL, the profitable fuel reprocessor and power generator, and Magnox Electric, the technically insolvent operator of six ageing nuclear stations. Under the deal, which took 18 months to negotiate, the government has given an undertaking to pay BNFL £3.7bn to cover the costs of decommissioning the Magnox reactors in the next century. That is £600m less than the estimated value next March of the government's present undertaking to finance Magnox Electric's nuclear liabilities. *Robert Corzine*

Go-ahead for $2.5bn scheme

By Norma Cohen, Property Correspondent

Construction of almost 800,000 sq m of office and residential development at Ebbsfleet, Kent, has moved a step closer with approval in principal by local planners. Ebbsfleet is the intended site of an interchange between the planned Channel tunnel rail link between London and France and domestic UK trains.

The project to the south-east of London was the largest mixed-use planning consent ever granted in England, said Whitecliff, the site's developers. Whitecliff is a joint venture between Blue Circle, the UK-based construction materials company and Lend-Lease, the Australian property developer. The project is expected to cost £1.5bn ($2.5bn) to £2bn over 20 years.

Whitecliff must agree a so-called "section 106" plan with local planning authorities which will spell out the social infrastructure it will be expected to supply in exchange for permission to develop the site.

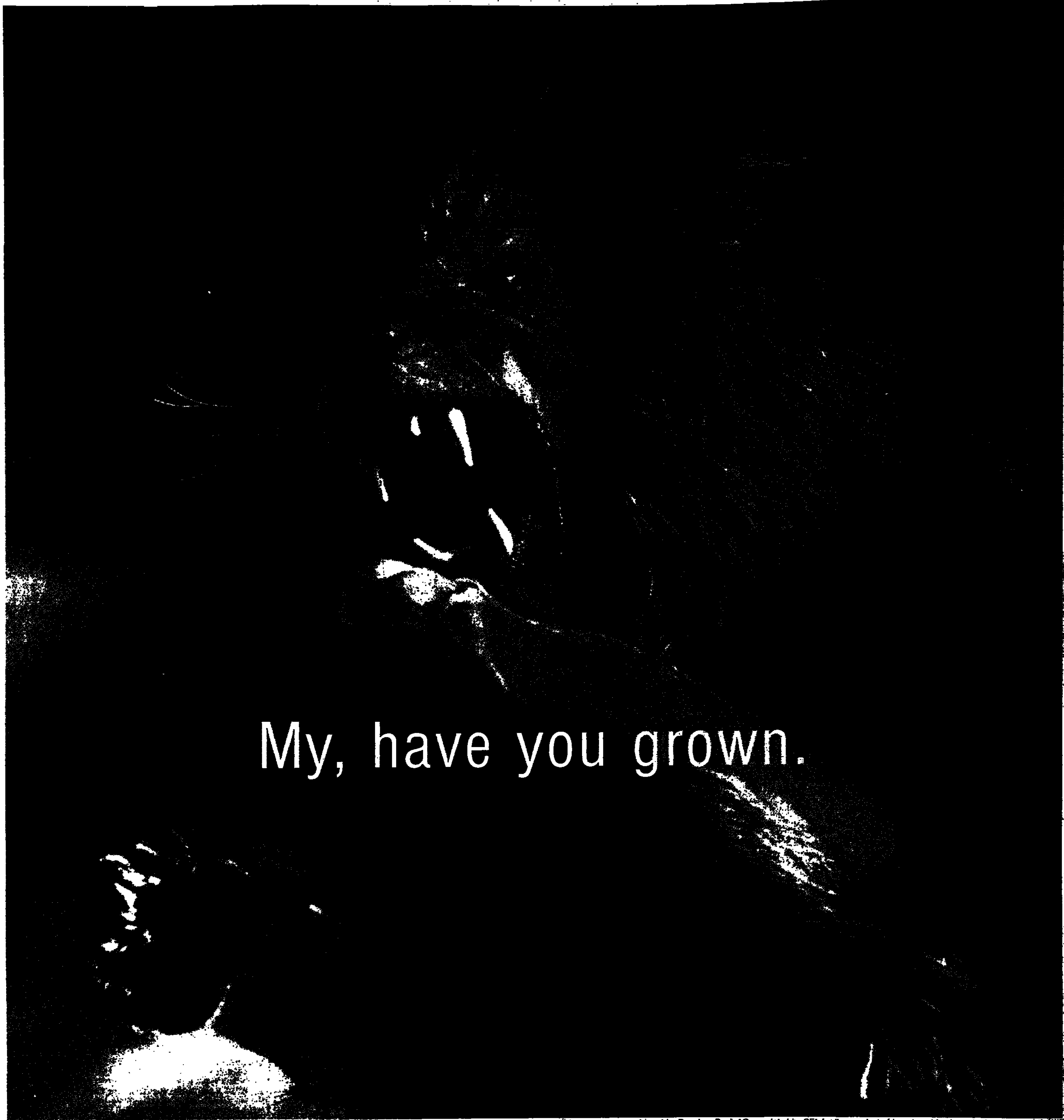
If development goes ahead, the site is likely to enhance greatly the value of the Blue Water shopping and leisure centre which Whitecliff is close to completing less than 5km away.

The 150ha site is near an intersection with the M25 London orbital motorway. A significant rail station would greatly expand the number of potential shoppers, homebuyers and commercial tenants.

The centrepiece of the development is intended to be a new rail station, to be built by London and Continental Railways, parent company of Eurostar, which runs high-speed trains between England and France. The new station is intended for completion by April 2003.

Mr McCready said Whitecliff intended to develop the site, which includes plans for up to 3,200 homes and up to 5m sq ft of office space, whether or not the Channel Tunnel rail link was built.

London and Continental has decided to postpone its public offering in London until the middle of next year amid speculation that financial resources are inadequate to meet its needs. However, Mr McCready said it was in the UK government's interests to ensure the rail link went ahead.



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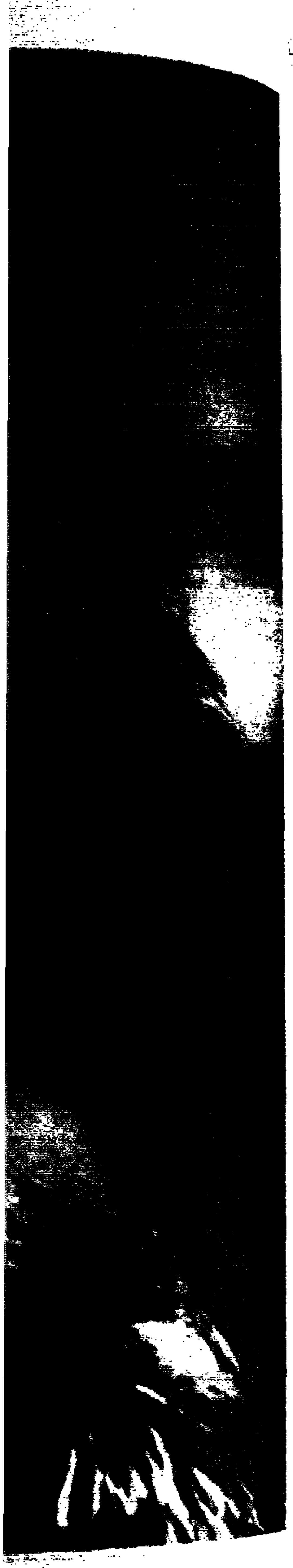


LAW

Job agency ban unlawful

EUROPEAN COURT

An Italian law that banned private companies from acting as employment agencies was contrary to European Union competition rules, the European Court of Justice ruled.

The case arose out of an application in the Milan courts to confirm the necessary legal formalities for establishing Job Centre Coop, a co-operative society with limited liability.

In Italy the employment market was subject to a mandatory placement system administered by public placement offices and regulated by a law banning the pursuit of any activity, even unremunerated, as an intermediary between the supply of and demand for paid employment.

An earlier reference to the European Court had been made by the Milan District Court when Job Centre first applied for confirmation of the instrument under which it was established.

In the first case, the Court ruled it had no jurisdiction to rule on questions raised by the Italian court, as the national court was performing a non-judicial function. Following that ruling, the Milan court dismissed Job Centre's application. Job Centre appealed and the Milan Court of Appeal stayed the proceedings and referred certain questions to Luxembourg.

The Italian court asked whether the provisions of the Treaty of Rome concerning the free movement of workers, freedom to provide services and competition, precluded national legislation under which any activity as an intermediary between supply and demand in employment relationships was banned unless carried on by public placement agencies.

In relation to free movement of workers, the Court said it did not follow from the fact that workers were among the founding members of Job Centre that those provisions were applicable.

The Court then turned to the compatibility of the Italian law with the EU competition rules. It concluded that a body such as a public placement office could be classed as an undertaking for the purposes of the EU competition rules.

The Court then analysed the competition rules concerned with state undertakings. It said any measure adopted by a member state that maintained in force statutory provisions that created a situation in which public placement offices could not avoid infringing the treaty provision prohibiting abuse of a dominant position, was incompatible with the treaty.

An undertaking with a legal monopoly could be regarded as occupying a dominant position under competition rules and the territory to which that monopoly extended (Italy) could constitute a substantial part of the common market.

The Court agreed with the European Commission that the market in the provision of employment services was both extensive and diverse. As the market was so extensive and differentiated, public placement offices could well be unable to satisfy a significant portion of the requests for its services.

The Italian law created a situation where provision of a service was limited contrary to the competition laws. The requirement under these laws that the abusive conduct had an actual or potential effect on trade between member states was fulfilled where the placement of employees by private companies could extend to the nationals or territory of other member states.

The Court ruled, in the light of this ruling on the competition laws, that there was no need for it to rule on the treaty provisions on the free movement of services.

C-55/96: Job Centre Coop, ECJ 6CH, December 11 1997.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Fischer joins Springer

August "Gus" Fischer plans to boost efficiency and improve the newspapers of Axel Springer Verlag after he takes over as chairman and chief executive of Germany's biggest newspaper publisher at the start of next year.

The 58-year-old Swiss executive will be able to draw on more than five years experience with Rupert Murdoch's News International as he plots the future of such titles as Bild, Springer's hugely successful mass circulation daily, and Welt and Welt am Sonntag, the group's nationwide daily and Sunday papers. Fischer was first managing director and later chief executive of News International between January 1990 and March 1995 when his responsibilities included The Times and the Sun.

Jürgen Richter, the outgoing chief executive, revitalised Springer with a slimmer management, new titles and record profits before disagreeing with the company's shareholders on matters of management style. Richter's departure from the Springer group was announced last month.

Fischer feels further improvements can be made at Springer. He believes the German newspaper business has lost touch with developments abroad and is less efficient than that of the US and Britain. He considers the German press is more conservative than that in the UK and some way behind in quality and product development.

Some of these concerns were apparent in Fischer's first message to his new employees. He promised that the group will have the "best journalists, the best writers, the best management and the best technology" in Germany. Any cost savings at Springer will be invested immediately in its products to make them "better and livelier".

He has pledged to recreate the atmosphere that existed in the time of Axel Springer, the group's founder, with a "vision" that will ensure the group is "still the best" in 20 years time. Such sentiments and ambitions should commend Fischer to Friede Springer, widow of the company's founder and its largest shareholder. It was after Richter lost her confidence that his career at the top of Springer ended.

Peter Norman and John Gapper

DMG strengthens operations in US

Deutsche Morgan Grenfell, the investment banking arm of German banking giant Deutsche, has announced two new senior appointments as part of its continuing strategy to grow organically rather than through acquisition.

DMG says that the two new hires will bolster its resources in two areas of priority – global high yield debt and telecommunications.

The investment bank has hired Noel Misthopoulos as managing director and co-head of high yield trading and Paul Owens as director and senior high yield analyst covering the telecommunications industry.

Both are to be based in New York and will join DMG's existing high yield team which includes Peter Nason, managing director and co-head of high yield trading and Tom Glover, director and head of high yield origination. In addition, DMG has 12 analysts, based in New York, London and Singapore, who focus on high yield and emerging markets.

Misthopoulos was formerly a managing director of high yield trading at Bear Stearns where he traded a range of industry sectors including telecoms and gaming.

Owns joins DMG from Salomon Smith Barney, the newly formed investment banking arm of Travelers Group, the financial conglomerate, where he covered high yield telecoms credits.

"The hiring of Noel and Paul marks another step in the expansion of DMG's global high yield debt capabilities," said Grant Kvalheim, managing director and head of global debt capital markets."

William Lewis, New York

Dresdner appoints new communicator

After months of unsavoury publicity, Dresdner Bank has decided on a long overdue improvement in its poor communications policy. A series of board resignations, mainly over tax evasion, has damaged the image of Germany's second biggest bank, which has preferred secrecy to openness.

Dresdner is setting up a new communications division to report directly to the board. It will be headed by Gabriele Eick, 45, who runs the German operation of Burson-Marsteller, the international public relations group.

Previously, the bank's press activities had to be cleared through the group secretariat under Manfred Schaudwet, a process which inhibited the flow of information. The secretariat will now be reduced in scope. Volkmar Kübler, head of the press department, will take up a new responsibility in charge of political and social affairs.

Eick formerly headed Frankfurt's economic development corporation, forming part of the successful effort to have the European Monetary Institute – forerunner of the planned European central bank – located in Frankfurt. She then spent a brief period as marketing and communications director with Jürgen Schneider, whose property empire collapsed in 1994.

Her difficult task will be to repair Dresdner's image, following the departure of the head of its supervisory board and two management board directors over their tax affairs. Jürgen Sarrazin, an aloof personality who shunned the media, is also stepping down as chairman, to be succeeded by Bernhard Walter.

Andrew Fisher, Frankfurt

Moving places

■ Richard Bronk has joined Merrill Lynch's European *equity strategy team from* Crédit Agricole Indosuez Group. He will focus on Emu and the impact the single currency is expected to have on European equity markets. Bronk, 37, previously headed the European equity team at Barings Asset Management from 1991-95.

■ SALOMON SMITH BARNEY has appointed Michael Kim chief operating officer of its Hong Kong-based regional investment banking division.

■ AMERICAN AIRLINES has promoted Jon Snook to managing director sales and marketing for Europe, Middle East and Africa, with immediate effect.

■ French-based software house ILOG has appointed Stuart Bagshaw chief operating officer.

■ CREDIT AGRICOLE INDOSUEZ has appointed Gilles Martinengo regional head of private banking for South-East Asia, based in Singapore and François de Pelleport *regional head of* private banking for North-East Asia, based in Hong Kong.

■ THE RESERVE BANK OF AUSTRALIA has appointed John Veale head of its financial system department. *He succeeds Neil Mackrell,* who has been appointed the bank's next chief representative in New York.

■ OERLIKON-BUEHRLE HOLDING said its Bally unit has appointed Bernd Wahler as new chief executive, to succeed Ernst Thomke, who resigned in August.

■ Seifi Ghasemi has resigned as a director and president of BOC GASES AMERICAS and chairman and chief executive of BOC PROCESS PLANTS and CRYOSTAR.

■ HERTZ has named Charles Shafer president of its European subsidiary based in the UK, replacing Antoine Cau, who is resigning to pursue other interests.

■ Dinyar. S. Devitre, senior vice president, corporate planning, is to leave PHILIP MORRIS to join Citibank. He is succeeded by Siw de Gysser, 53.

■ Hong Kong's SECURITIES AND FUTURES *COMMISSION is promoting* executive director (corporate finance) Laura Cha to deputy chairman, replacing Michael Wu Wai-chung, who retires at the end of this month. Cha will be the first female deputy chairman *since the SFC was* established in 1989.

■ GENERAL MOTORS (EUROPE) has appointed Gary Cowger, a veteran of GM's Mexican operation, as vice-president for manufacturing.

■ NOVEN PHARMACEUTICAL has named Robert Strauss chief executive, president and a director to replace Steven Sablotsky, who will remain chairman. Strauss was previously president and chief operating officer of IVAX CORP until he resigned in July.

■ TEXACO has appointed Robert Black to the new position of senior vice-president in the office of the chairman, effective January 1, 1998. A senior vice-president of Texaco since 1992, Black's most recent assignment was president of Texaco's Worldwide Exploration and Production business unit. In his new role, Black, 62, will be responsible for developing *and managing* Texaco's relationships in regions where Texaco is active. In addition, Black will have oversight responsibility for Texaco's Technology division, along with the Corporate Reserves Audit *Group. Black will continue* to serve on Texaco's executive council. Additionally, Black remains in his role as corporate compliance officer.

■ GULFSTREAM AEROSPACE has named Henry Kissinger a director, replacing Willian Aquavella, who resigned. The former secretary of state is currently chairman of Kissinger Associates, an international consulting firm. Gulfstream designs, develops, makes and markets jet aircraft.

■ The supervisory board at L'EXPRESS magazine has appointed Jacques Duquesne its chairman and Eric Licoys vice-chairman. Licoys is managing director of the media group Havas.

■ CABLE & WIRELESS has appointed David Wickham chief executive of the Global Network Operation, a new division whose aim is to manage and maximise Cable & Wireless international network facilities as those of *one company.* Wickham, currently managing director, International and Partner Services, Cable & Wireless Communications, will take up his new role on January 1, 1998. Wickham's successor will be Mark Heraghty, who *is at present customer* director, UK Mobile and Global Carriers.

■ Rob Close, payments strategy director at BARCLAYS BANK has been elected to the board of SWIFT, the bank-owned global financial messaging provider. Close's current main responsibility within Barclays is as group Euro programme director.

■ Chicago-based telecommunications company AMERITECH has appointed Tim Cawley to head its European operations based in Brussels. He has been president of Ameritech Small Business Services since August 1995.

■ KELLOGG has named its chief financial officer, John Hinton, to the additional post of executive vice-president - administration.

■ MERRILL LYNCH has appointed Jeffrey Peek to lead its asset-management business as the company prepares to acquire Mercury *Asset Management Group,* becoming the world's fourth largest money manager. Peek, 50, who since April has been co-head of investment banking, will be responsible for co-ordinating Merrill's asset-management activities *around the world.* Arthur Zeikel, 65, president of the unit since 1977, will become its chairman, focusing on strategic and client relationships.

■ TECH DATA CORPORATION has appointed David Upton to the company's board of directors. Upton, 38, is a business consultant and Harvard Business School faculty member.

■ A Japanese Ministry of International Trade and Industry official has been appointed energy sector manager at the World Bank. Sumi Yoshihiko, director of MITI's international affairs division, will become energy sector manager in the East Asia and Pacific Regional office from January.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

TECHNOLOGY

Bruce Dorminey on the imminent expedition to study the lunar surface

Mission to the moon

Twenty five years after the Apollo astronauts said their final farewell, 75 per cent of the moon's surface remains virtually unmapped, with its potential as an outpost for astronomy, physics and as a way station for interplanetary travel wholly unrealised.

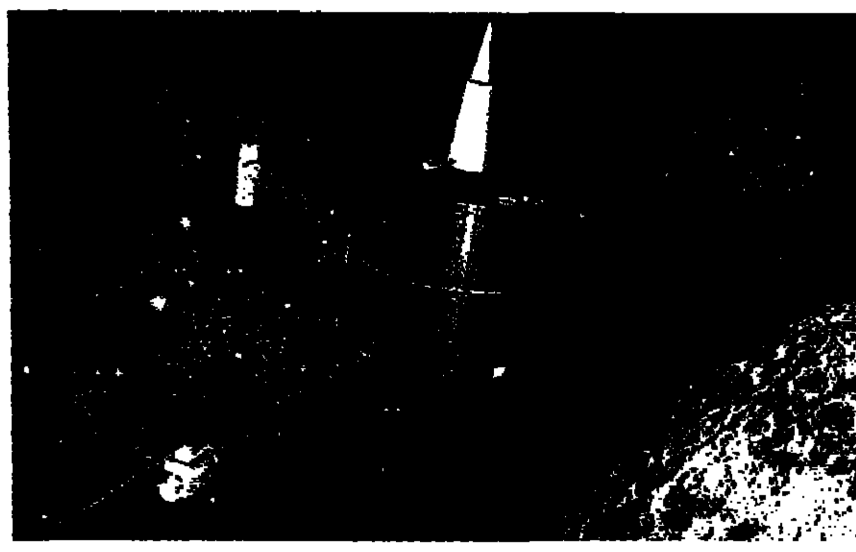
"If Apollo had continued, there would be a lunar colony right now," says Alan Binder, the principal investigator of Nasa's $63m (£38m) Lunar Prospector mission and director of the private, non-profit Lunar and Research Institute in California.

Due to be launched on January 5 from Florida's Cape Canaveral, the 296kg, remote-sensing Prospector spacecraft will circle the lunar surface from an altitude of approximately 101km from where it will carry out detailed studies of the entire lunar surface.

After its first year, the solar-powered craft will have the option of moving from its 118-minute circumpolar orbit to within just 10km of the surface, or about the height of a commercial aircraft during a routine flight.

Of its five scientific experiments, the most important is Prospector's neutron spectrometer which should detect the presence of hydrogen. Large amounts of hydrogen near the lunar poles would almost certainly confirm the presence of water ice.

The discovery of water could, in turn, allow future generations to make rocket propellant on the moon from the electrolysis of oxygen and hydrogen. Such lunar-generated fuel could be used as a much less expensive alternative for propelling craft on round trip passages between the moon and earth, or perhaps to an orbiting earth station such as the International Space Station.



Source: Nasa

Artist's impression of the Lunar Prospector

Three years ago, Clementine, a joint Nasa and US Department of Defence mission detected hints of water ice in the moon's polar regions. If there is water on the moon, it is likely to have sprung from cometary impacts in which ice from the comet's nucleus would have vaporised and then condensed at the lunar poles.

"Cometary nuclei are known to contain copious amounts of both oxygen and hydrogen," says Michael Mumma, a Nasa planetary scientist at Goddard Space Flight Center in Maryland.

"But a lot depends on how well shadowed those lunar craters are as to how much water ice there is and whether there could be enough for a colony or rocket." Some craters in the polar regions remain perpetually in the dark at temperatures which hover around minus 210°C.

Meanwhile, a gamma ray spectrometer will carry out compositional mapping for uranium, iron, titanium and numerous other chemical elements and minerals of interest.

"We call this prospector, because we want to make people understand there will eventually be commercial applications," says Dr Binder, adding that any lunar mining would be for the moon and not earth, for a lunar base would use local resources.

Except for helium 3 which can create tritium for use in clean burning nuclear reactors, at present, there's nothing on the moon worth the cost of transporting back to earth.

Prospector will also look for evidence of outgassing events, or the release of gases within the lunar surface that could signal oncoming tectonic or volcanic activity. Although there was a primitive seismic network operating over a six-year period during the Apollo programme, selenelogy (or the study of the moon's tectonics and vulcanism) remains in its infancy. But the moon may serve as what Dr Binder calls a "very simple laboratory" for better understanding the earth's tectonic shifts and quakes.

An onboard Doppler gravity experiment will measure the rate of flux as the satellite accelerates or decelerates over the moon's heavier masses. That would not only help researchers better understand the moon's uneven gravity field, but give flight planners a better way to economise and estimate fuel load requirements on future lunar missions.

Nasa also hopes that an onboard magnetometer/electron reflectometer will provide a better map of the moon's uneven magnetic field, as it lacks earth's two-poled magnetic structure. The best theory at the moment is that the moon's magnetism stemmed from outside impacts which have randomly magnetised the lunar surface over geologic time.

The challenge now is for lunar explorers to pay their own way by selling their collected data to the world's principal space agencies and interested commercial partners.

"Once you start that lunar economy then it becomes important," says Dr Binder. "We've had just six crews on the lunar surface for a total of three working days and we've got 100 years of lunar science to do. In 20 years we could have a colony. People want to live there. I do."

Dream ticket for truck transport

A French inventor's idea could save time and money, writes Arkady Ostrovsky

Idly staring out of the school window can be extremely productive, according to Sebastian Lange, a 28-year-old French inventor. For it was while staring at trains and trucks stuck outside his school that Lange started thinking about putting trucks on top of trains.

The result is claimed to be a breakthrough in transport design that could reduce congestion on European highways. Earlier this month, the development won Mr Lange a prize at a European inventions competition in Monaco.

Mr Lange has come up with a way of overcoming one of the biggest problems of carrying trucks by train – how to get wagons carrying lorries through narrow, low-roofed tunnels. The system, which he has licensed to De Dietrich, a small French rolling stock company, could give a new impetus to the slowly developing market for "intermodal" freight transport, which combines road and rail.

Several European and US rail companies have been developing intermodal transport. English Welsh & Scottish Railway, the largest UK rail freight operator, for example, is currently testing so-called "piggyback" trailers, which can be loaded on to specially designed wagons. The system is however limited to carrying trailers, not trucks, and requires special lifting equipment.

Swiss and Austrian rail companies cunningly use trains with smaller wheels to get wagons through tunnels in Alps. Small wheels, however, reduce speed and increase maintenance costs.

Mr Lange's invention allows trucks and trailers to be transported on flatbed wagons with standard-size wheels and requires no lifting equipment.

The invention involves lowering the middle part of the flatbed wagon on which a lorry is stationed, while the two ends remain higher to accommodate the wagon wheels.

The system also allows the middle section of the wagon to be detached from the two ends so that it can be swung to the side, permitting lorries to drive on and off. Mr Lange estimates 56 trucks can be loaded and unloaded in a train of 28 wagons in approximately 30 minutes.

Long-haul drivers in Europe are required to rest for 10 hours between nine-hour shifts, but Mr Lange says his invention would allow drivers to rest on an accompanying sleeper wagon while their trucks are carried across Europe, saving time and money. The innovation, he says, would reduce a journey from the UK to Italy from two days to 24 hours.

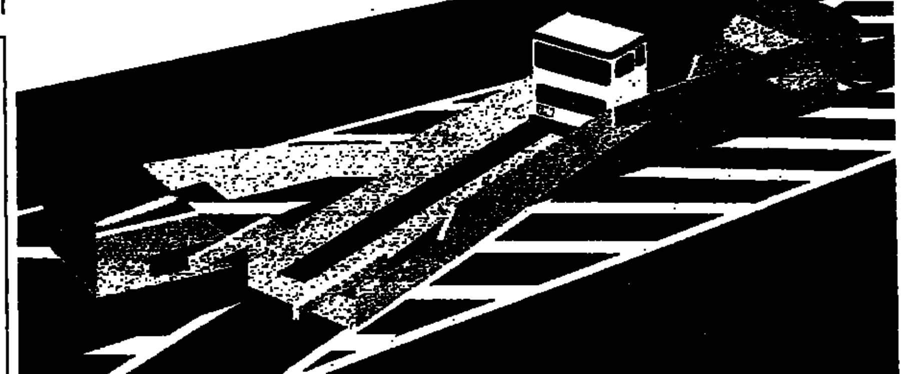
But to build a life-size prototype of his invention, Mr Lange needs FFr50m (£5m). "De Dietrich says it has not got enough cash for such a project, while big companies such as SNCF (the French state rail monopoly) do not like young graduates coming with ideas and telling them how to build trains," says Mr Lange.

"People still have images of crazy inventors and do not believe you when you tell them your invention is practical."

Dan Hodges, of the UK's Road Haulage Association, says: "This proposal allows a complete unit to be transported together and is by far the most efficient intermodal option available for our members. We hope to support and promote it in any way we can."

Getting trucks on the right track

The trucks wagon is 'hinged', and 'opens' for the trucks to roll on or roll off



Learning to talk with genes

Mark Ward on an inspired approach to writing and running software

A 60-year-old thought experiment has inspired a novel approach to writing and running software that could one day make operating systems and memory intensive applications obsolete.

In 1935 Cambridge undergraduate Alan Turing – the mathematical genius who later helped to crack the German Enigma code – came up with the idea for a universal computer that could perform the functions of any other, more specialised, computer.

Science Photo Library

Alan Turing: idea for a universal computer

This device worked by scanning a tape fed into it and reacting on the basis of the symbols printed on the tape. Mr Turing never intended the machine to be built, but worked on it because he was interested in what problems were and were not computable.

Now Bernard Hodson of Genetix Software in Ottawa, Canada has taken Mr Turing's ideas and used them to inspire an approach to software writing that could lead to smaller, more robust computer programs and faster application development.

Existing computer programs act like arrogant snobs – they do nearly everything their own way, rarely sharing computer code even if they are doing the same thing (such as displaying text on screen) as another program. Some Microsoft and Apple Macintosh programs do call on the same bit of computer code for some functions, on PCs and Macs respectively, but only for a fraction of what they are capable of carrying out.

In contrast, Genetix software programs share everything. Unlike Mr Turing's theoretical machine their instructions are not written on a tape, they are contained in what Mr Hodson has dubbed "genes." The most basic genes are written in machine code and when they are called on to perform they talk directly to the processor in the computer. This saves space and removes the need for an operating system.

Higher functions are built out of lower level genes. Creating an application is relatively straightforward. The genes that already exist can be used for most of the functions, but some new ones may have to be written for any functions unique to a particular application.

"We take an application and see what genes it needs," says Mr Hodson. "Then we build the genes if there is something that we have not previously written." He says this is one of the main advantages of his approach: the more programs written using Genetix software the bigger the pool of genes and the fewer new genes are needed to emulate other programs.

One thing Genetix software does share with Mr Turing's machine is a single reading head that works out what to do. This tiny program calls up the genes from a common pool that do what the user of the program wants to.

Using this approach Mr Hodson believes it would be possible to do many things larger programs such as Microsoft Word do, but in far less memory, possibly only a few hundred kilobytes.

For the moment though, Mr Hodson is concentrating on more specialist applications. He is working on using the Genetix approach to make the processors on smart cards more powerful and to send video down telephone lines.

Next year he hopes to produce a version of Genetix that can run programs written in Sun's Java computer language. He is also planning a European conference next year to present the latest work.

Robin Bloor, a UK-based computer consultant, says he is impressed so far by what he has seen of Mr Hodson's work. He believes the Genetix approach will find its first uses in smart cards, embedded processors and for programs currently being written in Java.

Mr Hodson, a retired computer professional, says he has been thinking about the ideas for the Genetix software for years, but only now does he have the spare time to develop them. Although he started later than Mr Turing his legacy could be just as long-lasting.

Mark Ward is technology correspondent of New Scientist.

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ARTS

Exhibitions in 1997

Every 'Sensation' has its day

It would be a foolish or a preternaturally far-sighted critic who would ever dare say, on the strength of this year's runes, cast as they have been so far-afield as from Venice and Kassel to Burlington House, that a new genius has risen in our midst, a new school established, a new movement begun. All I would suggest, with the utmost caution, is that perhaps, and without realising as much, we have just seen certain things coming to an end, running out of steam.

There is talk again of painting being dead, but I don't believe that for a moment. Nor, on the other hand, would I even begin to suggest that Modernism is moribund, much as certain commentators, not me, would wish it so – that clock is not one for turning back. But, just as at the height of its strength and apparent triumph, the tide turns at last, so I think it might be with the tide of Conceptualism, youthful experiment and cutting-edge adventure that we have lately seen so conspicuously celebrated at its height, at Charles Saatchi's *Sensation* exhibition at the Royal Academy, and the Turner Prize at the Tate.

For, if there is one lesson to take from art-history, it is that no *avant-garde* makes everything else irrelevant, but only comparatively invisible for a while. And, in its turn, each successive *avant-garde-ism* becomes but another artist's wider opportunity and choice. I have to say that I find much of the work in *Sensation* and all in this year's Turner Prize unsympathetic. But that is not to say I believe it should not be done – which is a matter for the artists themselves – but only that it should not be so uncritically, excessively and exclusively indulged.

Sensation was a most useful and illuminating exhibition, beautifully presented and brilliantly marketed, and, with but one or two reservations, I think the Academy was entirely right in putting it on. It put before the general public work which had been collectively vaunted about the country and abroad these several years past, promoted by public money and bought, Charles Saatchi apart, by public collections on our behalf. But it had not yet been shown in London in such strength, if that is the right word, but only piecemeal, here and there.

And what it showed conclusively was, surprise, surprise, that there was no such thing as a coherent, hermetic group of "Young British Artists", but only artists engaged across a broad range of interest and activity, from the conceptual conceits of Tracy Emin and Sarah Lucas to the paintings of Fiona Rae and the sculpture of Rachel Whiteread, with each to be taken on its merits. Saatchi's collection extends far beyond such limits in any case, of both age and kind, and any fresh selection would supply an entirely fresh context. As for the Turner Prize, I doubt next year that it will be so narrow in its short list, and very much doubt that a video presentation will win it for a third year running. It will surely include a sculpture or two and, who knows, even some painting once more.

But enough of such runic porings over Damien Hirst's old bones. Here are some of my bouquets for 1997, without further comment or citation:

The best Old Master shows in the UK were *Raeburn* at the Royal Scottish Academy and the National Portrait Gallery, and *Turner's Explorations* at the Clore. The runners-up were *Miniatures and The Sandby Brothers at Windsor*, both at The Queen's Gallery; and *The Garrick's Pictures* at the Dulwich Picture Gallery. The biggest surprise was *Josefa de Obidos* at the Accademia Italiana. Abroad, the best Old Master show was *George de la Tour* at the Grand Palais, Paris.

The best Modern Master shows in the UK were *Mondrian* at the Tate; *Late Braque* at the Royal Academy; and *Seurat's Bathers* at the National Gallery. The runners-up were *Alma-Tadema* at the Walker Art Gallery, Liverpool, and *George Grosz* at the Royal Academy.

Abroad, the best were *Paul Delvaux* at the Belgian Royal Gallery of Fine Art, Brussels; *The Menacing 30s* at the Museum of Modern Art of Paris; *The Age of Modernism* at the Walter Gropius Bau, Berlin; runners-up were *Stuart Davis* at the Peggy Guggenheim Museum, Venice; and *German Expressionism* at the Palazzo Grasi, Venice.

Best contemporary shows were *Patrick Caulfield* at Waddington Galleries; *Euan Uglow* at Browse & Darby. Runners-up were *Frank Auerbach* at Marlborough Fine Art; *Shani Rhys James* at the Oriel Mostyn, Llandudno; *Fiona Rae* at the Saatchi Gallery; *Mary Newcomb* at Crane Kalman; *Sensation* at the Royal Academy.

Best by British artists abroad were *Phillip King* at the Forte Belvedere, Florence; runners-up were *Gilbert & George* at the Museum of Modern Art of Paris; and *Rachel Whiteread* at the British Pavilion at the Venice Biennale.

The best continuing series of exhibitions are *The Turner Watercolour Exhibitions* at the Clore Gallery and *Making and Meaning* at the National Gallery.

And, finally, the two most extraordinary, and for that my Exhibitions of the the Year: *The Padshahnama of Shah Jahan* at the Queen's Gallery; and *The Fayum Funeral Portraits* at the British Museum.

William Packer

Preliminary drawing for Seurat's 'Bathers' at the National Gallery, one of the best Modern Master shows

Concerts/**David Murray**

New music for thought

Alexander Goehr's new "Sonata for 13", *Idées Fixes*, had its premiere at the Queen Elizabeth Hall earlier this month. It sat nicely in the London Sinfonietta's programme, flanked by minuscule Schoenberg fragments and a crackling piece by Stefan Wolpe – the latter with the pianist Peter Serkin, who returned after the interval to play Stravinsky's 1959 *Movements*, before the concert concluded with Goehr's elegiac Little Symphony from 1963.

Idées Fixes is so titled because it a kind of variation-study with a difference: its three basic motifs are not varied, but continually juxtaposed in new ways. The writing for its 13 players is fairly dry, sometimes intricate but always lucid; and the piece proved to be even more compact than expected, for it took less than its predicted 17 minutes.

Music for thoughtful musicians: temperate, without much *Affekt* (unlike the Little Symphony), cleverly wrought. By contrast, Wolpe's Piece for Piano & 16 Instruments sounded positively frenetic, with trumpets and flutes squealing through the piano's racing figurations, which Serkin executed with flair and evident relish.

He did as much for the Stravinsky *Movements*, a mini-concerto which now sounds much less gnomic than it used to, more like quintessential Stravinsky. The characteristic fingerprints are there; the scheme is merely super-compressed. I find it more rewarding at every hearing – and here Serkin and the conductor Oliver Knussen (scrupulous as always) chose to repeat their performance at once, to general delight. The whole concert can be heard on Radio 3 on December 26.

★

During the same weekend, the American fiddler Pamela Frank and her father Claude Frank completed their excellent survey of Beethoven's violin-and-piano sonatas at the Wigmore Hall. Miss Frank made a vivid impression at the last Edinburgh Festival, when she played chamber music with Joshua Bell and his gang. I heard the Franks' first Beethoven programme here, and was impressed all over again.

Miss Frank wields a strong, assured bow with energy and lively intelligence. We should have heard her better if Frank *père* had kept his piano lid at half-mast, rather than fully open. At 70 he is still a doughty pianist, and in *fortissimo* he sometimes outweighed her. But it was all distinguished Beethoven-playing, lit up by Miss Frank's confident colours in her phrasing. Each of the four sonatas they played wore its own distinctive character, and they were especially vital and imaginative in two G major sonatas, the familiar op. 96 and one from op. 30. There were bright sparks of wit and humour, and terrific attack.

Theatre/**Ian Shuttleworth**

Snowman comes to life

Raymond Briggs' *The Snowman* is a modern Christmas classic, and Bill Alexander's revival of his 1993 Birmingham production plainly captivates its young constituency. There is, however, no danger that audience ebullience will drown out the dialogue; apart from a deliberately semi-intelligible carol and the obligatory rendition of "Walking In The Air", the show is wordless for its hour-and-three-quarter duration.

Nevertheless, almost every action by the Snowman (Kasper Cornish) comes to life and draws peals of delight, whether it be trying on the contents of a fruit-bowl as alternative noses or cooling off by sticking his bottom into a fridge. In contrast, an instant of silent awe descends when the Snowman and the Boy who built him (played at the performance I saw by 11-year-old John Partridge) roar off around the stage on a motorbike and sidecar.

Alexander, composer Howard Blake and choreographer Robert North take joint credit for "story development", and by and large he production knows both how to appeal to children without being condescending or pantomimic, and how to slip in the occasional clever nod to keep the grown-ups onside: when the Boy is channel-surfing on his family television, for instance, we catch a few brief, cheeky seconds of Aled Jones singing That Song.

Really, this is at least as much a dance piece as a theatrical one, and tends to fall into a routine of alternating graceful sequences with novelty episodes. This strategy becomes most apparent after the interval, when the Snowman magically transports the Boy to the North Pole to meet his own clan and Father Christmas: each chunk of, say, comedy break-dancing by a toy robot is preceded or followed by a *pas de deux* with the Cindy Snow-Woman. Once or twice it seems as if the only thing making these scenes wondrous is the fact that all concerned are swathed in acres of cotton wool. (And what are those two penguins doing in the Arctic? Took a wrong turning, I presume, after one can of bitter too many...) Nevertheless, it kept the youngsters enraptured.

Birmingham Repertory Theatre until January 24 (0121 236 4455).

Theatre/**Alastair Macaulay**

Out of place in a waste land

If you feel like seeing the most celebrated work of modernist poetry unintelligently, unstylishly, but flashily delivered by a twitchy, mannered and badly-directed actress in a forgotten, cold, and draughty theatre amid an *unfriendly part of town*, then here is the Christmas show for you: T.S.Eliot's *The Waste Land*, performed by Fiona Shaw, directed by Deborah Warner, at Wilton's Music Hall.

It was fair to hope for more: for much more. Eliot's poem was written to be heard. Like music, the sound and rhythm of its lines brand you long before you begin to make any sense of them.

Warner gives us a stage empty save for Shaw and a couple of chairs. The lighting throws big shadows onto the rear wall and changes for each part. With some actors, you would want nothing more than this. Eliot's poem is itself a world, and a drama. His own recording of it is ghostlike, almost toneless, but its cumulative effect – just because of the extreme precision with which he lets every rhythm, the least gradation of voice, each *fluctuation of sense*, strike home through his measured but Tiresian rendition – is haunting.

Most of the acting that Fiona Shaw – despite her very considerable original talent – has done onstage in the last 10 years has been scandalously overrated; and her much-discussed collaboration with the director Deborah Warner is indisputably part of the problem. Indeed, I do not know that "acting" is the right word for what Shaw does in Warner's stagings; rather, she uses her role (be it Electra, Hedda Gabler, the Good Person of Szetchuan, Richard II) to vent her neurosis, and as a vehicle for increasingly *bizarre solipsism*.

Shaw has started to remind me of Steven Berkoff: for her, as for him, playing the star role is a form of self-pleasuring. But, whereas Berkoff is always in control of his excessively *technical and misanthropically* satirical performances, Shaw is consciously out of control, driven, manic. She pretends to give you spontaneity; actually, she gives you self-display. Fortunately, she is also mercurial; in any of her vehicles, she is as prone to indulge her fondness for drily ironic humour as her penchant for hysteria or tension. But even her ironic tone has started to become just another of her mannerisms.

She has acquired, in her 30s, twice as many mannerisms as Maggie Smith has used in her entire career; and, whereas Smith uses all her mannerisms expressively, Shaw is now crippled *by hers*. Oh yes. In *The Waste Land* you see again the face-screwed-up blink, the odd upward peering, the tightly crossed legs when sitting, the tics of the eyes, head, and upper body; you hear again the shallow and noisy breathing, the staccato half-laughs; and – above all – you hear and see the sniffs.

How about this for crummy verse-speaking? "I too awaited the" (*sniff*) "expected guest." "And bats" (*sniff*) "with baby faces in the violet light". This amid Eliot, of all poets, so precise and so eloquent in judging the connective metre of a phrase. The sniff as caesura!

Shaw's account of *The Waste Land* is an incoherent array of separate effects. She illustrates this or that minor point with a gesture, and this or that of the poem's voices with a funny accent. Her French is poor, her Italian worse, but worst of all is the way she completely misses the central voice of Tiresias, and fails to give it weight.

True, it is fun in a chilly sort of way to visit the ghost-theatre of Wilton's Music Hall, and to be part of its first-ever audience since 1880. It is near the end of Leman Street. "By the waters of Leman I sat down and wept" is a line in the poem, and it is possible that Eliot would have sat down and wept after this performance. However, I prefer to think that he would have charged back up Leman Street afterwards, as did I, in search of instant oblivion, like a bat out of hell.

Warner's Music Hall, London E1, until January 11. Tickets at National Theatre box-office: 928-2252.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

OPERA
Netherlands Opera, Het *Muziektheater*
Tel: 31-20-551 8911
Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 25, 28, 30

■ BARCELONA

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-3-207 7475
Rembrandt: The Human and the Natural Landscape. 91 etchings from the Rembrandt House Museum in Amsterdam. The *exhibition will transfer to Madrid*; to Jan 11

■ BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in *works by Weber and Beethoven*; Dec 30, 31

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Hänsel und Gretel: by Humperdinck. Premiere conducted by Olaf Henzold in a staging by Andreas Homoki; Dec 27, 30
● *Le Nozze de Figaro*: by Mozart. New production conducted by Christian Thielemann and staged by Götz Friedrich, with sets by Herbert Wernicke; Dec 25, 28, 31

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
Kunsthalle Bremen: selection of works from the collection of the *Kunsthalle Bremen; to Jan 11*

■ CHICAGO

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
● Irving Penn, A Career in Photography: 150 prints, from *every stage of Penn's career.* Includes fashion photography, portraits and ethnographic series; to Feb 1
● Renoir's Portraits: Impressions *of an Age. Around 65 paintings* spanning the artist's career, of subjects including Claude Monet and Madame Renoir; to Jan 4
● Twenty Years of Textile *Society Collecting (1978-1998)*: all-inclusive anniversary celebration. Exhibits will include 18th century French panels, African and Bolivian works, and contemporary American hangings; to Mar 22

■ CLEVELAND

EXHIBITIONS
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
When Silk Was Gold: Central Asian and Chinese Textiles. Featuring 64 precious textiles from the 8th to 15th centuries, when they were of immense economic and cultural significance. Including the most important known "cloth of gold". To Jan 4, after which the exhibition will travel to New York

■ COPENHAGEN

EXHIBITIONS
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Alberto Savinio, Paintings 1927-1952: around 30 still lifes, landscapes and mythological compositions by the relatively unknown brother of de Chirico; to Jan 11

■ GLASGOW

EXHIBITIONS
Burrell Collection
Tel: 44-141-649 7151
Sir John Lavery (1856-1941): The Irish Glasgow Boy. Highlights include "The Tennis Party" (1885), "State Visit of Queen Victoria to the Glasgow International Exhibition" (1888); to Jan 25

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
New Year Viennese Evenings: *John Georgiadis conducts the* London Symphony Orchestra in a programme including dances by the Strauss family; Dec 31; Jan 1

DANCE
Royal Festival Hall
Tel: 44-171-9288800
The Royal Ballet: programmes including Les Patineurs, Tales of Beatrix Potter, and Peter and the Wolf; Dec 23, 26, 27, 29, 30, 31

EXHIBITION
Royal Academy of Arts
Tel: 44-171-439 7438
Sensation: Young British Artists from The Saatchi Collection. Showcase of works by some 40 artists including Damien Hirst, Marc Quinn, Mark Wallinger and Rachel Whiteread; to Dec 28

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: The Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Dec 31; Jan 1

■ MILAN

DANCE
Teatro alla Scala
Tel: 39-2-88791
Giselle: with sets and costumes *by Marie-Louise Ekman; Dec 31*

OPERA
Teatro alla Scala
Tel: 39-2-88791
Macbeth: by Verdi. Conducted by Philippe Auguin in a staging by Graham Vick, with designs by *Maria Bjomson; Dec 28, 30*

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
● New York Philharmonic: Holiday Brass. Members of the Philharmonic Brass and the *Canadian Brass; Dec 27*
● New York Philharmonic: New Year's Eve Gala. Programme of works by Tchaikovsky, Mussorgsky, Ravel and Bizet. Valery Gergiev conducts. Soloists include mezzo-soprano Olga Borodina, bass Samuel Ramey and pianist Alexander Toradze; Avery Fisher Hall; Dec 31

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine's The Nutcracker; Dec 23, 26, 27, 28, 29, 30, 31

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Dec 24, 27, 31

■ PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by Verdi. Production directed by Jonathan Miller and *conducted by James Conlon.* Angela Gheorghiu sings the role of Violetta until Dec 30, with *Ramon Vargas as Germont; Dec* 24, 27, 30; Jan 1

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a *new production directed by* Jorge Lavelli, with sets by Antonio Lagarto; Dec 23, 26, 29, 31

■ ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
La Fiamma: by Respighi. This first production of the season is by Hugo De Ana, and is conducted by Gianluigi Gelmetti; Dec 27, 30

■ WASHINGTON

OPERA
Washington Opera
Tel: 1-202-295 2400
www.dc-opera.org
L' Elisir d' Amore: by Donizetti. Conducted by John Keenan in a staging by Stephen Lawless, with designs by Johan Engels; Kennedy Center Eisenhower Theater; Dec 27, 31

■ ZURICH

EXHIBITIONS
Kunsthaus Zurich
Tel: 41-1-251 6765
Arnold Böcklin, Giorgio de Chirico, Max Ernst: Voyage into the Unknown, comprising 130 paintings, collages and sketches; to Jan 18

■ TV AND RADIO

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BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

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17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Quizzing the governor

Eddie George tells **Robert Chote** about a year that has transformed the Bank of England

"It's been a very hectic year and I'm looking forward to just having some time away from it."

Eddie George, the governor of the Bank of England, drags reflectively on a Rothmans and puffs smoke across his vast office hung with green tinsel.

Over the past seven months, Mr George has seen the institution to which he has devoted 35 years of his working life undergo a profound revolution. There have been a few low points during 1997, he concedes. But the governor can look back on 36 hours in late October that encapsulate the year's highs.

During that brief period Gordon Brown, the chancellor, did three important things. He introduced the bill to enshrine the Bank's responsibility for setting interest rates, first announced in May. He launched the Financial Services Authority, which will take over the supervision of financial institutions. And he ruled out immediate participation in Europe's proposed single currency, arguing that Britain's economy had not yet converged sufficiently with those of the other likely participants.

"That 36 hours I thought was a quite extraordinary thing," the governor says. "I found that deeply satisfying, because I thought all three of those things were terrific."

Mr George had long coveted the control of interest rates that central banks in most industrialised countries enjoy. But little did he know the incoming Labour government would grant it to the Bank within days of taking office, rather than wait for it to establish a track record as Mr Brown had suggested.

"The whole process I thought was terrific: not just the fact, but the form." He is pleased that members of the monetary policy committee are sufficiently expert to know how inexpert they are. This, he says, helps explain why all the committee's decisions have been unanimous.

"You would have to be rather confident if you are not prepared to listen to the arguments of other people," he says. "It's not that there is a great striving to maintain unanimity. It is that within the debates we have, the differences are very narrow. Anybody who knows what they are talking about knows they don't know with total confidence."

Wary of being seen to exercise a Greenspanesque sway over the committee, Mr George describes his role as "basically a process of chairing a committee of equals". He expresses strong views when he has them, but so too do the other members. "I certainly haven't noticed much deference," he says.

The governor expects dissent at some stage, more likely because someone will disagree about short-term tactics rather than the fundamental analysis of the inflationary outlook. "I would quite like it to happen, as a matter of fact, but I'm absolutely determined not to cause it to happen simply to gratify the cravings of the media."

The governor's emphasis on the tactical dimension of interest rate decisions predates independence. Mr Brown is already blaming his predecessor's reluctance to raise rates ahead of the general election for the impending economic slowdown. During that period, though, the Bank only argued that rates should be a quarter or half a point higher at most.

"I think we were in the right direction, but I don't know that I'd want to argue now that we were at the right degree," Mr George says. "This is where tactical considerations come in too – not just political tactics, but exchange rate tactics also." To have argued for a bigger tightening then might have pushed sterling even higher, exacerbating the imbalance between strong domestic and weak external demand.

The governor expects sterling's strength to hit Britain's net exports next year, as the Bank predicted in November's Inflation Report. The deepening crisis in Asia is likely to push the economy further in this direction, but he doesn't feel "at all comfortable that we have any real sense at this stage of the kind of degree". This means it is no clearer now than in November whether the economy "will slow down soon enough and far enough – and not too soon and too far".

Mr Brown's desire to join the single currency, once there has been sufficient economic convergence, should not affect the setting of interest rates in the meantime, the governor says. "It is nothing to do with all that. We took account of what was happening in Europe before. We take account of what is happening in Europe now."

He says that the authorities in Britain and the euro area will be pursuing policy in parallel, but only in the sense that they are both aiming for low inflation and sound fiscal positions. "Because you are both running policies designed to moderate the amplitude of the cycle, that will help in bringing the cycles closer together."

This will promote convergence in one sense, but the governor maintains that the critical issue is the pace of structural reform in the euro area. "I hope very much to see continental Europe adopting policies which will bring them closer to the sort of supply-side flexibility that we've apparently got now," he says. Whether this will be clear within the five-year timescale on which the chancellor would likely to consider entry, remains to be seen.

"I think these structural differences are really very marked at the moment," Mr George maintains. "I was very pleased when the chancellor made his announcement on October 27. I thought it was exactly the best position for us, and actually the best for Europe too, because I think we would have been an uncomfortable companion in the rowing boat."

As the single currency's start-date approaches, the decisions on entrants and exchange rates are being overshadowed by the row over the presidency of the central bank and the membership of its executive board. These need to be resolved as quickly as possible, Mr George says. "It is not just the decisions on the board people. It inevitably affects the organisational structure of the ECB and you need to have people who are recruited to do particular jobs."

The chancellor's statement on the single currency was music to the governor's ears. But relations between them were fraught earlier in the year, when Mr Brown first told him that the Bank would lose responsibility for banking supervision.

"I really hadn't expected that to happen," Mr George says. "I expected the focus to be on the financial services side – the securities side in particular – and I think everything I knew encouraged me to think that." The announcement stunned the Bank's staff, with the uncertainty dealing a further blow to already low morale. "I knew I had to say something to them, but I couldn't say with confidence that they would all have jobs. That was kind of a low point. But that's history."

The governor says he is happy with the relationship that has been hammered out out between the Bank, the Financial Services Authority and the Treasury. But he concedes that concerns remain over the new regime: Will the FSA become an unmanageable bureaucracy? Will it apply a "one size fits all" approach to different financial activities? And will information flow efficiently between the FSA and the Bank?

Mr George says the supervision announcement was the low point of his year, but he and the chancellor are now on good terms. "We see each other regularly and get on pretty well."

The big test comes next year. Most observers expect the chancellor to give Mr George a second five-year term. But he may yet decide that his New Bank needs a new governor.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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IMF medicine unfair on smaller economies

From Jang-Sup Shin.

Sir, It have enjoyed reading your articles about South Korea. I am impressed by the FT staff's deep understanding of the running of the South Korean economy and South Korean people.

To your excellent criticisms of the International Monetary Fund's recipe for South Korea, I would like to add one more point. Apart from all the economic analyses, there is utter unfairness, which makes the IMF's medicine for Asian countries bitter to swallow.

When the twin deficits of the US were the main causes of disturbances in the international financial market in the 1980s – and Japan and then West Germany demanded the the US reduce its deficits – the official reply by the US was that a sudden reduction would cause a global recession.

In fact, the US has been running deficits for more than three decades. And the dominant opinion of the US policymakers and economists have been very critical about Japan's increase of domestic consumption tax early this year, saying that it would have a deflationary effect not only to the Japanese economy but also to the world economy.

However, the IMF has requested that Thailand, Indonesia and South Korea to turn their deficits into surpluses in 1-2 years' time. For instance, the demand on the Thai government is to produce a budget surplus of more than 1 per cent of gross domestic product next year, although the country recorded budget surpluses for nine years in a row until 1995.

The austerity programme looks like a recommendation that the government sector should strangle the private sector when the latter is inevitably tightening its belt.

Is it fair that the big countries should reduce their deficits gradually for the health of the world economy, while small and medium-sized countries have to reduce theirs rapidly for their "healthier growth" at any cost?

Jang-Sup Shin,
deputy economics editor,
The Maeil Business Newspaper,
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Seoul,
Korea

A powerful influence on happiness

From Dr Bryn Jones.

Sir, Samuel Brittan's useful analysis of the vagaries of equating income with happiness omits one key variable ("Money only helps a little", December 18). His endorsement of the priority of choice in promoting happiness ignores academic criticisms that economists' focus on choices and preferences is based upon their avoidance of the even greater priority of power. The greater one's power, the greater the range of choice that can be exercised.

The unfortunate paradox for Samuel Brittan's argument is that the more "market" mechanisms are established to promote "choice", the greater are the inequalities of such power which accrue from differences in monetary wealth and incomes. The ability to choose a lawyer is one such glaring example of this phenomenon.

Bryn Jones,
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University of Bath,
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Distorted picture given of US poverty

From Mr Bryan Kim.

Sir, Your report on the Mayors' survey of hunger and homelessness ("Poverty on increase in US," December 16) misrepresents the nature and extent of these problems.

Contrary to your ominous headline, the number of people living below the official poverty level has been declining. Moreover, the mayors' survey does not purport to address poverty, but only to estimate the number of requests for food and housing. While such requests may indicate increasing demand, they do not necessarily indicate increasing need.

Indeed, this survey hardly constitutes a scientific study with appropriate methodology tor measuring real need. Instead, it merely shows perceived needs based on responses from city officials, community agencies, and other providers, not exactly a disinterested group of evaluators.

The fact that the survey in its 13-year history has always produced the same results only casts further suspicion on its validity.

You cite that a "strong economy has had little or no effect on either hunger or homelessness." But the survey also estimates that 27 per cent of the homeless are mentally ill, while 43 per cent are substance abusers.

Perhaps many of those who are ostensibly hungry and homeless are actually suffering from distinct illnesses that cannot be addressed simply through increased funding for food and housing.

Sweeping generalisations about the homeless will not increase our understanding of a lamentable social problem. We would be better served by a thorough analysis rather than a reprint of a summary from a politically-charged tract.

Bryan Kim,
research analyst,
Statistical Assessment Service,
2100 L Street,
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Washington, DC 20037,
US

Politics of envy

From Mr. J.B. Yaxley.

Sir, George Parker's article "Courtiers face pinch over perks" (December 18) is misleading. They aren't perks in the way perks are usually perceived. They go with the territory. By the grace and favour of the monarch. It has always been the same down through the ages.

So the Queen's staff live in palace apartments for just £45 per week, so what? The people who work for the royal family pay rents in proportion to what they earn and their pay is not the highest in the land. The veiled theat by David Davis, chairman of the Commons public accounts committee, to the Queen and parliament to let auditors look at the books smacks of the usual class envy and blatant demagoguery of those now in power.

The Conservatives were and are right. The Royal Household does occupy a unique constitutional position. Scrutiny was not deemed necessary before by other administrations, why should it be so now?

John B. Yaxley,
PO Box 12,
Peapack, NJ, US

Mercedes nomenklatura

Chrystia Freeland examines the tribal loyalties emerging among Russia's super rich

BUSINESS TRIBES

Seventy years of communism have left Russians uniformly disgusted with Karl Marx's talents as an economist, but after nearly seven years of untrammelled capitalism his sociological insights are coming in for something of a reassessment.

As Russia's army of unpaid blue-collar workers is wont to observe, while watching the extravagant exploits of the nation's robber barons: Everything Marx told us about communism was false, but everything he told us about capitalism was true.

The indisputed lords of Russia's version of capitalism are a new tribe their envious countrymen have dubbed the New Russians. Their chief habitat is, of course, Moscow, where the New Russians gather at one of a few dozen ludicrously expensive downtown watering holes before retiring to baroque brick fortresses along the Rubleovo-Uspenskoe highway.

The road, which winds through the velvety pine forests on Moscow's outskirts, counts among its denizens Boris Yeltsin, the Russian president, Vladimir Gussinsky and Boris Berezovsky, two of the country's most powerful financiers, along with a handful of Russia's most powerful mafia bosses, known at home by the gentler title of "criminal authorities".

While the New Russians are definitely not nomadic – they have a tribal affinity for house building and buying – they can often be found far from their native environs.

"In elegant Swiss watch shops in Geneva, you dare not say a word in Russian these days because all the sales clerks will throw themselves at you," Sergei Karaganov, a businessman, academic and presidential adviser, explains.

Apart from the Russian language, which, in contrast with previous Russian elites, is the vernacular of the New Russians, they are distinguished by a set of tribal markings. Chief among them is style of transport. The Mercedes 600, preferably armoured and with tinted windows, is practically a badge of membership in the Russian establishment. The newer the car, the better. (Less well-heeled compatriots joke that when his ashtray fills up a New Russian buys another Mercedes.)

But for those at the top of the pecking order, a mere Mercedes is not enough. Vladislav, a Russian insurance tycoon, also owns a Range Rover (armoured) and a Rolls-Royce (ordinary). On holiday in Switzerland this winter, he will pick up what is looking to be the New Russian chariot of the future – a Hummer, a 6,400 lb mammoth originally designed for the off-road activities of the US Army. This beast, Vladislav blandly comments, "is quite convenient for Russia, our roads are so dreadful".

Yet, Vladislav says, the true sign of a New Russian is rather more subtle than several tonnes of steel. And with that, he brandishes a modest laminated card, a bit bigger than a credit card. This is a "Special Pass", issued by the Ministry of the Interior, which endows the bearer with immunity from uniformed police officers. Vladislav's "Special Pass" makes him almost above the law. The thin card warns beat cops that they may not even examine this magical document, bearing the legend "This Is Not Subject to Verification".

Vladislav admits that the "Special Pass", and the liberation from traffic laws which it grants, are helpful in negotiating the congested roads of the Russian capital. (His pals at the Ministry of the Interior have granted him the additional convenience of blue flashing lights and a police siren.) But Vladislav claims his pass has a more serious purpose: protection from one of Moscow's latest vogues in assassination, the use of assassins (in Russian, *keelers*) kitted out as policemen.

The "Special Pass" is thus an apt emblem of both the New Russians and the new Russia. Like the medieval princes of Muscovy, the New Russians live in a land in which state power has been decisively weakened.

To prosper, they have learned to privatise their feeble government, using money or influence to win official immunity from the law. But this survival tactic has one drawback – it has left them vulnerable to agents of the state privatised by their rivals.

This liberation from societal constraints extends to personal life as well. The New Russians are an almost exclusively male tribe, but they do take consorts, both wives and mistresses, from the weaker sex. Informal polygamy is the preferred style of mating.

The culture of the New Russians has shown itself to be dominant in encounters with outsiders. Coincident with the appearance of the New Russians have been incursions into Russia by a related western tribe, the Wall Street investment bankers.

Although convinced of their own cultural superiority, in practice the Wall Streeters have adopted most of the tribal behaviours of the New Russians. The New Russian mating habits have proven particularly appealing to the visitors, but many Wall Streeters have also smoothly adapted to the ferocious hunting practices and collection of extravagant fetish objects of the indigenous people.

Ironically, the emergence of what may become a western offshoot (*homo novorussicus americanus*) comes at a time when the original New Russian tribe is beginning to disperse.

Some of the pioneering New Russians, who shocked their dingy socialist homeland when they first appeared in 1991, have died in tribal battles. Others have already pilfered away their overnight fortunes.

But the smartest are trying to transform their windfalls into enduring business empires and have sent their children to the best private schools of the US and UK.

This splinter group is betting that within a generation or two the excesses of the New Russians will have faded into legend. The real power, they hope, will rest with Russia's new aristocracy, a fledgling tribe they are trying to found.

Fashion statement: showing the latest face of Moscow AP

This is the first in a series about business tribes.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday December 23 1997

Latin America deserves luck

With much of Asia in financial crisis, the economies of Latin America are concluding their most successful year in decades. Growth has been close to 5.5 per cent this year and annual inflation has fallen to 11 per cent.

This strong performance has been led by Mexico and Argentina, two countries embroiled in a deep financial crisis only three years ago. Though both economies will slow down in 1998, growth in Mexico has reached 7 per cent this year, while the Argentine economy has expanded by close to 8 per cent.

Both economies have certainly been helped by a benign international financial environment, but it is also clear that the benefits of more than a decade of economic reform in Latin America are at long last having an effect. Given a reasonable world economic and financial climate, this order of economic performance can be sustained for some time.

Unfortunately, the global economic picture has darkened considerably over the last six months as Asia's financial crisis has gathered new victims. A financial disaster in Asia would lead to further retrenchment by global investors, which would reduce the volume of capital flowing to Latin America and damage its growth prospects

Growth already seems likely to slow. Brazil, the largest economy and one of the last in the region to begin economic reform efforts, may not expand at all next year. In the worst case, its economic vulnerabilities could lead it to succumb to a financial crisis of its own, the fallout from which would ripple worryingly around the region.

Financial crisis

But this is not inevitable. Unlike their counterparts in Asia, Latin American governments are hardened to financial crisis. As President Ernesto Zedillo of Mexico has explained, if international financial markets overreact, then policymakers must overreact in response.

The Brazilian austerity package – which answered the late October turmoil in international markets – has amply demonstrated that Latin American governments have learned this tough lesson.

Of course, there are no grounds for complacency. The economic reform process must continue and not only in Brazil, where the government must move decisively to place its budget on a sustainable footing.

Foreign savings

Latin America is nervous about world financial markets because it still depends excessively on foreign savings to generate satisfactory levels of investment. Putting in place the conditions for increased domestic savings remains a priority. Governments must also continue to work on improving the resilience of the region's financial systems.

Rigid labour market practices continue to keep people out of work, and condemn millions to eking an existence out of the informal economy. Longer term, increases in the region's standard of living will only be sustainable if weak education systems are overhauled.

Latin America has endured bad economic management for most of the 20th century, but it has suffered bad luck too.

Governments responded after second world war to the obvious threat to their countries from the global business cycle by closing their economies to the outside world. The results seemed good for growth initially, but in fact the region missed out on an unprecedented five decades of expansion in international trade.

As the century closes, most of the region's economies are at last in the hands of competent managers. They are in better fiscal balance and are more open to the forces of international competition than they have been in half a century.

Now the region deserves some luck: that Asia's financial crisis does not – by triggering a panic flight to quality in the international financial markets – fatally disrupt what appears at last to be a promising economic trajectory.

Bonuses and safety nets

In the City of London the season of goodwill is not, it seems, as bonhomous as it should be. Yes, the bonuses are high; some outside the City would even say obscene. Yet to many insiders the taste of champagne is soured by the threat of job losses, as British clearing banks rationalise their operations and foreign banks cherry pick the remains. The Square Mile, it is argued, is no longer a risk-free zone for investment bankers. Labour market flexibility rules, not OK.

Even so, the assumptions about risk need to be put in context. There are not many sectors of the global economy where imprudent lending is rewarded by the prompt appearance of the International Monetary Fund in the guise of Santa Claus. The presents in the IMF's sack bear the stamp "moral hazard". By saving gung-ho bankers from the consequences of their folly, the IMF's Asian rescue – however justified in preventing the spread of panic – risks sowing the seeds of yet more folly while protecting jobs in the financial community.

Nor is it as if the biggest commercial banks run the risk of bankruptcy. They are regarded by central bankers as too big to fail. The mystery is why governments continue to allow banks to punt on their own account in global markets knowing that if it all goes wrong the liability falls on the taxpayer.

Welfare system

Consider, too, the respective claims of the retail bankers to feel more insecure than their colleagues in the wholesale markets. Martin Taylor, chief executive of Barclays, has remarked that he runs a large retail bank where the business is moving into cyberspace. Yet it has difficulty taking 100,000 people with it. In his UK banking business job levels are around a third lower than seven years ago. The people who have failed to make it to cyberspace, incidentally, were once cocooned in a corporate welfare system that had more in common with the civil service than commerce.

It is not just in the financial sector that the perceptions of risk and reward are distorted. Take the British farming community, where the universal assumption is that governments are morally obliged to protect the farmer from the financial consequences of any crisis. If you sold a dud pension in Britain you are fined, named and shamed. If you sold potentially lethal BSE-infected beef you are given a £1.5bn aid package for a single year and your complaints can still be heard on a clear day in Calais.

Nasty stuff

True, the comparison is invidious. While farmers knew they were feeding their cattle with pretty nasty stuff, they did not know it could end up having potentially lethal consequences for humans. The point is rather that some farmers still do not recognise the extraordinarily privileged nature of their industry. Their political clout is disproportionate to their numbers.

Compare and contrast the plight of anyone who ran a manufacturing business in Britain over the past 20 years. When confronted with the longest recession since the war in the early 1980s they were told by the industry secretary, the late Keith Joseph, that the trouble with the British economy was that there were not enough bankruptcies. If they failed to go bust then, they won a splendid second prize: the chance to go bust 10 years later in the deepest recession since the war.

What of perceptions of risk and reward in boardrooms generally? As pay rises inexorably in the English-speaking economies the striking outcome of academic research is that there is no correlation between pay and performance. Since public concern over 'fat cat' pay tends to wax and wane with the business cycle, the danger is that the next rise in unemployment will coincide with big headline pay increases and incentive scheme payouts. Never forget the unseasonal lesson of Labour's windfall tax: bonuses can be a removeable feast.

97 *It was the year when... the Asian miracle went wrong*

Needed: another miracle

Peter Montagnon questions the ability of Asia's tigers to undertake the reforms necessary to rebuild their economies

Such is the gloom pervading most of Asia these days that even that ultimate saving for a rainy day – gold kept under the mattress – is no longer considered safe enough. Customs officials in Bangkok airport were told last week to watch for people trying to smuggle the yellow metal out to safer havens such as Singapore.

It is a sad end to the most difficult year in decades for Asia, made more depressing by the widespread view that the crisis that enveloped the region following Thailand's devaluation on July 2 has a long way to run before things start to improve.

Japan's reflationary package last week and South Korea's \$57bn (£34.5bn) International Monetary Fund rescue arrangement have manifestly failed to calm things down. Yesterday Japan's stock market fell another 3.4 per cent. Indonesia's rupiah has plunged this month on fears about President Suharto's health.

But does the seemingly endless spate of bad news mean the "Asian miracle" is over? Like the IMF which has revised downwards its expectations over the coming year, economists who initially thought the region's problems were for the most part cyclical, are having to reconsider. The crisis might, after all, be structural.

The Asian crisis has affected different groups of countries in very different ways. Two groups have been comparatively unscathed. The first consists of the huge, relatively closed economies of India and China. They are closed in the sense that companies have only restricted access to international capital markets, not closed to world trade. There, government intervention in the economy is widespread.

The second group is at the opposite extreme: small, extremely open countries, in which companies are free to borrow abroad and where the government plays only a small role in the economy: Taiwan, Singapore and Hong Kong. Though affected, they have not suffered to the same extent as a third group: Thailand, Indonesia, South Korea and Malaysia.

This group combines features of the other two. Companies are free to borrow abroad, as in group two, but the government retains a considerable influence on the economy, as in group one. It is this structure that many economists think is to blame for the Asian crisis.

So, while many believe that Asian growth rates could recover eventually, most now say this depends crucially on governments' ability to impose structural economic change that could in some places have far-reaching political consequences. And almost all believe next year will be one of excruciating economic pain.

"There's a great deal of trouble to come," says Neil Saker of Soc-Gen-Crosby in Singapore. "I'm expecting some kind of cataclysm in the first quarter, possibly a debt default in Indonesia that would trigger a more general collapse and concerted intervention by the industrial world."

Mr Saker is at the pessimistic end of the spectrum. But other economists also warn of a collapse in growth next year and a rising tide of corporate problems.

At the start of this year the average private sector forecast for South Korean growth in 1998 was 6.9 per cent. Now the expectation has shrunk to 1.8 per cent, according to Consensus Economics which tracks the research output of leading banks and brokers.

For Thailand the outlook is even bleaker, a forecast contraction of 1.3 per cent compared with an original projection of growth at 7.1 per cent. Expectations for Malaysian growth have slumped to 3.9 per cent from 8.3 per cent, for Indonesia to 3 per cent from 7.5 per cent. And for Japan, the consensus expectation has halved from 2.3 per cent to 1.1 per cent.

At one level the crisis has played itself out, says Mr Quah Hong Chaye, regional economist at Merrill Lynch in Hong Kong. Because export prices have fallen so far already, there is not much more to be gained on the trade side from yet greater currency depreciation. Indeed, that would make matters worse by intensifying the liquidity squeeze that is depriving exporters of working capital.

So, as Ma Guonan of Salomon Smith Barney in Hong Kong, points out, countries are facing both structural and liquidity problems. "You must solve the liquidity problem first, before you solve the structural problem. Otherwise the whole thing will melt down."

At its most pernicious, the crisis has put countries such as Indonesia and Thailand into a vicious circlestarting at the point where companies scramble to buy dollars to repay their debts in the wake of currency devaluation.

Their effort to meet debt payments with revenues in falling domestic currency weakens both their balance sheet and the credit standing of domestic banks that lend to them. Weakness in the local banking system of affected countries then prompts capital flight which pushes the currency down again.

That prompts companies to buy yet more dollars to cover their debts. So the process continues until even sound companies become caught up in the threat of bankruptcy and default.

In an attempt to ease these problems, three countries – Indonesia, Thailand and South Korea – have formally called in the IMF. So far, however, the IMF programmes have failed to inspire much confidence.

Part of the reason, according to many economists, is that they have been too harsh for countries already suffering from a contraction. Part also, undoubtedly reflects fear that more shocks may be on the way, especially from political developments. South Korea's presidential election has already resulted in victory for the opposition leader who was originally critical of the IMF programme. Some previously staunch supporters are deserting President Suharto in Indonesia, and the Philippines faces an uncertain presidential election next year.

Though China has been less affected than these countries so far, worries are growing about the weakness of its domestic demand. "There's got to be a very strong reflationary action next year," says Chen Zhao of the China Analyst newsletter in Montreal. "Demand is decelerating very rapidly, and all growth is being generated by the external sector."

China is likely both to ease credit further and accelerate some infrastructure projects. Mr Chen also believes the Chinese authorities will have to allow the yuan to depreciate next year, despite repeated official pledges not to devalue.

The big question is whether this will prompt another burst of market jitters that will knock the Hong Kong dollar off its peg. Mr Chen says that need not be the case. Reflation in China could be quite bullish for Hong Kong and boost its own flagging economy.

Other economists are not so sanguine. "Pressures on the peg in the first six months are going to be enormous," says Ian MacFarlane, regional strategist at Paribas Asia Equity.

The underlying concern across much of Asia remains the feeling that governments have done too little to tackle liquidity problems. Most economists agree that some form of long term debt rescheduling, reminiscent of Latin America in the 1980s, will be needed. "My gut feeling is that this will end with some rescheduling," says Mr MacFarlane. As soon as you get that, the markets will jump."

Yet there would remain the problems of reviving demand and of ensuring that governments in Asia make structural changes to their economies. So far China and Japan have failed to provide any locomotive stimulus, leaving most Asian economies dependent on exports to the US, risking a protectionist backlash there.

Reflation in Japan is vitally important, says Mr Chen. "If Japan sinks again and the yen falls to 150 [to the dollar; it is now 130], then it'll be harder for Asia to recover."

Doubts also remain about the region's determination to undertake structural reform.

Around the region, the prescription remains broadly the same: banking systems and supervision must be overhauled to prevent lending excess; capital markets must be developed; governments must eschew patronage and cronyism and allow the markets greater influence over business decisions.

For many countries that means wrenching change. It would remove the levers of control from some of the more authoritarian governments. Just as the Latin American debt crisis of the 1980s spelt the end for several of that region's military dictators, this could usher in a more democratic age."If they don't [reform], the financial markets will punish them like crazy," says Mr Chen.

This is the question on which the future of the Asian miracle rests. "If they fluff these decisions, the miracle is over," says Mr Ma. "Without some structural change to the Asian model, it is difficult to move forward."

Chronology of a crisis

July 2 Thailand allows the baht to fall, sparking a burst of selling in the currency market that spreads quickly to Indonesia, the Philippines and Malaysia.

August 11 Thailand, with support from Japan and other Asian countries agrees on a \$17bn rescue package with the International Monetary Fund.

August 31 Malaysia's prime minister launches one of many tirades against western "speculators" and the IMF, which he accuses of trying to subvert Asian economies.

October 31 Indonesia accepts \$23bn IMF package. It agrees to cut spending, reduce its current account deficit and close several banks.

November 21 After struggling to meet repayments on short term debt of around \$110bn, South Korea finally decides to turn to the IMF for help.

November 22 Japan's authorities close Yamaichi Securities, the country's fourth largest brokerage house prompting renewed jitters about the health of its financial system.

November 25 Thailand and the IMF agree on new, lower growth projections for 1997 and 1998 of 0.6 per cent and 0.1 per cent respectively.

December 3 South Korea agrees on \$57bn IMF rescue package.

December 5 Malaysia imposes IMF-style reforms including cuts in public spending with the aim of reducing its current account balance of payments deficit to 3 per cent of gross domestic product in 1998.

December 17 Japan announces latest in a series of reflationary measures including surprise income tax cuts. After an initial rally, the stock market again turns sceptical.

December 18 IMF releases a second tranche of Korean loan as voters elect oppposition leader Kim Dae-jung as the country's new president.

December 21 New IMF World Economic Outlook sharply cuts forecasts for world growth as a result of the Asian crisis.

Uncle Sam sees off Asia's paper tigers

Richard Lambert says the crisis in the east has highlighted benefits built into the US economy

Americans may be excused a spot of gloating. For years, Asia has been held up as a model of how successful economies should be organised. The US, they were told, was doomed to the slow lane because it didn't save enough, it didn't export enough, and it was much too focused on short term results at the expense of long term performance.

Asian companies were financed by investors who were prepared to take the long view. Their US rivals had to deliver the goods on a quarterly basis, or risk dismemberment.

Things look different today. The US economy has been gathering strength for six years or more, and is still in robust health. The corporate sector has a whole string of comparative advantages in the global market place: a competitive costs base, leadership in information technology, powerful brands, economies of scale, the backing of deep and liquid financial markets – the list goes on and on.

And Asia? Its economies appear to be melting away by the day. Big companies that were recently storming their way into western markets are now struggling for survival. The words "shareholder value" are starting to be heard – albeit falteringly – in Tokyo and Seoul.

So much for all those smart economists who predicted the opposite: a lot of them have egg on their face, and serve them right.

It was only a few years ago that writers such as Lester Thurow were turning out best-sellers about the case for an American industrial policy and a heart transplant for US capitalism. The US, Thurow wrote in 1992, should encourage the formation of big business groupings like those that had proved so successful in Japan and Germany.

Unlike the US, "they are countries noted for their careful organisation of teams – teams that involve workers and managers, teams that involve suppliers and customers, teams that involve government and business".

But today it seems that Wall Street has won the battle. Companies need the lash of the market place to keep them on their toes. Patient capital used to be thought of as a good thing, because it meant business could invest in the intellectual capital of its products and its people, and develop products and brands over time into world leadership.

Now it turns out that Asian banks are – at best – much less efficient at allocating capital than American shareholders. At worst, they are incompetent, venal, and corrupt.

As for any idea of government intervention – well, as economist Paul Craig Roberts writes in BusinessWeek, "industrial policy replaces the impartial market with crony capitalism, in which cosy relationships to government determine financing... the result is corruption in politics as well as capital markets".

> The tiger conglomerates, riddled with conflicts of interest and interlocking shareholdings are now paying the price

So hubris stalks the land.

But some words of caution are in order. The watchful eyes of Wall Street did not prevent the US auto industry from almost driving itself into the ground in the early 1980s, or the savings and loans disaster at the end of that decade. And while it's true that the US economy is in great shape, it's far from a perfect model. Low savings and high borrowings are especially bothersome. Social problems will multiply unless the skills of the American workforce can be improved and broadened.

A business sector that is built in good measure on the stock market is bound to look good after one of the longest bull runs in history. But the trees, as someone said, do not grow to the skies. Sooner or later, Wall Street is going to turn down – and that will be the testing moment.

No, the real lesson from Asia is not about macroeconomic policy. Take South Korea as an example. Public finances are in good shape, the trade flows are under control, and savings rates are high. The problem lies in the big companies and banks, a good number of which are as close to bust as makes no difference.

Countries such as Korea, Japan, Indonesia and Thailand have hit trouble because their banks have been badly supervised, the financial institutions have been allowed to get away with murder, and not enough light has been shed on the workings of crony capitalism.

By contrast the American financial system is transparent and open, and the banks are kept under close scrutiny. What you see, by and large, is what you get.

Corporate governance also makes a difference. Independent, informed and argumentative boards of directors are not as common as they might be in America. In Asia, they appear not to exist at all. The tiger conglomerates, riddled with conflicts of interest, interlocking shareholdings, and opaque relationships, are now paying the price.

So let's hear it for America's regulators. They are an obscure and generally unloved group of people. But it turns out that the free market won't work well without them.

FINANCIAL TIMES
Tuesday December 23 1997

Blow to reform team as Nemtsov loses Gazprom

By Chrystia Freeland in Moscow

Russia's economic reformers suffered a severe blow over the weekend as Boris Nemtsov, *first deputy prime minister*, lost political authority over Gazprom, the country's largest company.

Mr Nemtsov is believed to be seeking a meeting later this week with Boris Yeltsin, the ailing Russian president, to press for the restoration of his most important portfolio.

The attack against Mr Nemtsov follows a week in which Anatoly Chubais, Russia's other first deputy prime minister, also endured serious political setbacks. The double blow suggests the reform team is losing power in the cabinet to Victor Chernomyrdin, Russia's increasingly influential prime minister. Mr Nemtsov's power over Gazprom, the natural gas group, he set out to reform, has been eroded in two ways.

First, Mr Nemtsov and two allies have been ousted from *the government* board he established last spring to oversee Gazprom. Mr Nemtsov had been chairman of the board, a post he had hoped to use to bring the natural monopoly back under state control and to rein in the excesses of its powerful managers.

Second, over the weekend, Sergei Kiriyenko, the minister of fuel and energy and Mr Nemtsov's replacement as head of the government supervisory board, signed a trust agreement with Rem Vyakherev, Gazprom's chairman.

Since he joined the cabinet in the spring, Mr Nemtsov's biggest crusade has been to renegotiate the terms of the Gazprom management contract. The contract signed over the weekend reappoints Mr Vyakherev as manager of the state's 35 per cent stake in the company.

The new agreement deprives Gazprom management of some *of the biggest perks which* sparked complaints from Mr Nemtsov when he joined the cabinet. The most significant was the management's lucrative right to buy out 30 per cent of the company from the state at par value.

However, the fact that Mr Nemtsov was cut out from the trust agreement at the last minute is a significant personal loss of face. His allies also fear that the details of the agreement, which have *not* yet been made public, may offer excessive salaries to the company's managers.

Formula 1 TV deal runs into Brussels barrier

By Emma Tucker in Brussels and John Griffiths in London

The world governing body of *motor sport and* the European Commission were heading for confrontation last night after Brussels warned that the exclusive broadcasting rights granted to promoter Bernie Ecclestone might breach EU competition law.

The commission said it had "serious doubts" about the agreement between the Federation Internationale de l'Automobile and Mr Ecclestone's Formula One Holdings and *demanded a response within* three weeks.

Its action may provoke fresh *threats that Formula One* racing will base itself outside the European Union if no accord can be reached. It may also obstruct Mr Ecclestone's planned flotation of his Formula One Holdings company, to which the rights are formally entrusted.

The commission's stance was set out in a letter delivered to Max Mosley, FIA president, on Friday. The letter also said the competition authorities believed Mr Ecclestone's other principal role in motor sport, as vice-president of the FIA in charge of commercial activities, was "clearly a conflict of interest".

It said the FIA carried out a self-regulatory role for motor sport that gave it power over associated money-making activities. The association was *also able to control market* entry or access.

Mr Mosley said last night he had already replied to the commission, asking for clarification of what he described as "fundamental considerations" raised by Karel Van Miert, the competition commissioner. He would not elaborate, but people close to the *FIA in Brussels and London* said the Paris-headquartered body was preparing for a long-drawn-out fight, using appeal processes.

The commission's chief concern centres on a series of agreements that FOH has with television companies worldwide to broadcast grand prix racing. It believes that clauses *in the agreements restrict* competition and break EU anti-trust rules.

The agreements, the chief source of income for FOH, are also seen as essential for the flotation, in which the FIA and Formula One teams may have10 per cent stakes.

The flotation is expected next year. Estimates up to $3bn *have been placed on the* company's value. Most stems from broadcasting rights, *which FOH holds for the* remaining 14 years of a 25-year contract. The commission sees the long contract as potentially anti-competitive.

Japan banks under threat as stocks fall

Continued from Page 1

Japan's attempts to tackle its long-running bad debt problem, *senior officials at the Ministry* of Finance said yesterday. "We are very much concerned that this will slow the pace of write-offs," said one.

The comment came as the finance ministry announced that these bad debts totalled Y28,000bn at the end of September, slightly higher than in March.

But many analysts believe the real total is much larger, because Japanese accounting standards are weaker than those in the US. The ministry yesterday called on the banks to use US standards, which, if observed, would raise the total by about 30 per cent.

The ruling Liberal Democratic party *indicated it* might announce measures to tackle the crisis this week. These could include a move to backtrack from earlier plans to introduce tighter regulatory standards for banks next year as part of Big Bang financial reforms.

LDP politicians are also considering raising the amount of *funds available for* supporting the financial sector from the Y10,000bn announced last week.

George warns over bank job wrangling

By Robert Chote in London

Wrangling over the presidency of the European Central Bank threatens to be the biggest problem in the run-up to the launch of Europe's single currency, according to the governor of the Bank of England.

In an interview with the Financial Times, Eddie George predicted that agreeing on a president and members of the ECB's executive board would be *more difficult than deciding* which countries should join and at what exchange rates.

"People issues are less susceptible to objective kinds of solutions."

He said the UK government would try to be a catalyst for decision-making in its presidency of the European Union during the first half of next year, but there was a limit to what they could do.

The governor urged European governments to focus on the ECB appointments as soon as possible. "There is a tendency to say we can't discuss that until we know which countries are joining, but the thing has to be up and running by July 1."

Mr George dismissed the idea that the candidacy of Wim Duisenberg, the Dutch front runner, had been scuppered by France's insistence on proposing its own candidate for ECB president.

Mr George said there had been "an understanding" among most European central bankers and finance ministers that Mr Duisenberg would move from the presidency of the European Monetary Institute to the ECB. But the French felt they needed to put down a marker, which Mr George said was "fine so long as they get on with it".

The governor repeated his warning that the politics of monetary union were running ahead of the economics and he described the UK government's decision to wait for further economic convergence was the best position to take.

"We would have been an uncomfortable companion in the rowing boat."

On the domestic economy, the governor said it was not clear yet how far the financial crisis in Asia would depress UK inflation.

But he predicted that there might be further downgrades of world growth forecasts, following the recent revisions by the International Monetary Fund and Organisation for *Economic Co-operation and* Development.

Quizzing governor, Page 12

Mink and diamonds lose their allure

Continued from Page 1

overall biggest consumer of raw pelts, taking 22 per cent of mink and 30 per cent of fox.

Diamond sales have also been savaged, according to figures published yesterday by *De Beers, the South African* group. Demand for polished diamonds in south-east Asia, which in 1996 comprised 17 per cent of the global market, has virtually dried up. Retail diamond jewellery sales in Japan – with 25 per cent of the global total, Japan is the second largest market after the US – are down 20 per cent – due to lack of consumer confidence and the weakness of the yen.

De Beers' London-based Central Selling Organisation reported in August record sales of $2.88bn for the first six *months. Then, second half* sales fell by 16 per cent to $1.76bn. This left the year total at $4.64bn compared with the record $4.834bn in 1996.

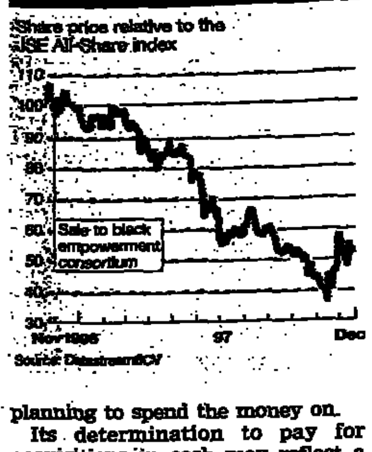
THE LEX COLUMN

Gold to dust

JCI, once a name to be conjured with in mining circles, has unravelled with astonishing speed. A year ago the South African mining house could look back on more than 100 years' history and forward to a promising future as a gold growth *company. More than that, it* was seen as a flagship vehicle for black economic empowerment. All that now lies in tatters. The share price has fallen by 60 per cent, Mzi Khumalo has stood aside as chairman and the company is planning to quit the gold business. Moreover, there is a good chance of its being swallowed up by Lonhro.

FTSE Eurotop 300 index
965.2 (+5.2)

JCI



Source: Datastream/ICV

Mr Khumalo was unlucky: the past year has seen the gold price fall by more than 20 per cent to a 12-year low. But he succeeded in making an appalling fist of a bad hand. Unsettling his senior managers was a bad start, compounded by *strategic folly. The logic of taking a* 27 per cent stake in Lonhro, for example, was never persuasive. Nor *has* the decision to quit the gold industry been properly explained. It is, in effect, a raising of the white flag, since the group is hardly viable without its gold mines.

The blame, however, extends further. Dewy-eyed analysts tolerated woolly thinking and opaque financing structures that should have been roundly denounced. And investment institutions were no better: *instead of confronting Mr Khumalo*, they took the path of least resistance and sold their shares.

The sad irony is that many of these ills came to pass precisely because it was an empowerment exercise, seen to require different rules. The lesson, of course, is that no amount of goodwill can serve as a short cut to wealth creation. And skin colour is not the automatic driver of value some hoped. If South Africa learns these lessons, JCI's pain may not be in vain.

Pernod Ricard

Pernod Ricard is building up a war chest for its wines and spirits business with the FFr5bn ($830m) sale of Orangina to Coca-Cola. This fits with its being on the list of potential suitors for Bombay Sapphire gin, one of the brands that Diageo must sell. But the news that *it is not interested in the much bigger* Dewar's brand is a disappointment for those hoping an auction would push the proceeds to £700m. With Bombay expected to fetch roughly £100m, this raises the question of what else Pernod is planning to spend the money on.

Its determination to pay for *acquisitions in cash* may reflect a reluctance to issue equity to fund its ambitions. That would dilute the *Ricard family holding just after the* dispersion of its late founder's stake among numerous family members. The group's shares, which had underperformed the French market by a third in 18 months, have jumped by more than 20 per cent since Paul Ricard's death in early November, helped by bid speculation. Pernod looks to have got a good price for Orangina, a brand *that will* be much better exploited by Coca-Cola. But if it overspends or overstretches its management on *fulfilling its international ambitions* for spirits, even family shareholders will ask questions.

Energy Group

With clearance from the Monopolies and Mergers Commission in the bag, Pacificorp is poised to resubmit its bid for Energy Group. The problem, however, is that since its original *recommended offer in June of a* lowish 690p per share plus a 5.5p dividend, events have moved on. Most noticeably, the UK electricity sector has risen some 20 per cent in the intervening period. Furthermore, the regulatory environment is less antagonistic now the windfall tax has been extracted. That said, uncertainties remain over the forthcoming regulatory review and *the impact of the highly political* moratorium on new gas-fired power stations.

Energy Group's core businesses, the mainly US coal mining company Peabody and the vertically integrated generator/distributor Eastern Group, *should also* benefit from well-judged power projects in *Poland*, Taiwan and Turkey. All in all, on a stand-alone basis fair value has probably risen at least 20p per share to around 800p and perhaps more. Assuming that the same 20 per cent premium is applied as in the original bid – to reflect the synergies between the two electricity/ coal companies – Energy Group's shareholders should hold out for an offer above 720p.

With the shares currently trading at 675p, concern over US regulatory approval is still weighing on sentiment. *This is probably overdone.* While the Federal Trade Commission's investigation into the combined position *in the US coal* market will be tough, it is unlikely to block the whole deal.

Bupa/Care First

Free from shareholders to answer to, Bupa had the luxury of being able to throw another £30m ($49.5m) or so into its bid for Care First to secure a recommendation. It could have waited *to* see the whites of its rival's eyes, especially as doubts persisted over whether the numbers would finally stack up for a bid backed by venture capital. Still, it must be nice to get it sewn up before Christmas.

Bupa can fund the deal – costing it about £380m including debt – without much sweat. It will become about 30 per cent geared on reserves *totalling* roughly £700m. And the solvency ratio backing its insurance business will still be a comfortable *60 per cent. It says* Care First's profits will more than cover financing costs, making it "earnings enhancing". But it will have to push operating profits up substantially from this year's sub-£30m level to achieve a respectable post-tax return.

To be sure, the industrial logic is compelling. Bupa will have a national network of nursing homes through which it can push a greater variety of services than simply caring for the aged bed-ridden. This will help it to overcome the squeeze on income from local authorities that has laid the sector low.

In the longer term, both demographic and health insurance *trends look to* be in the group's favour. So long as it can fund the build-up of its integrated healthcare business internally, it looks canny to steer clear of the scrutiny that would accompany a stock market listing.

FT WEATHER GUIDE

Europe today

Scandinavia will be cold, with rain at times along the western coast of Norway and some snow flurries inland. The Low Countries, Germany, Austria and Switzerland will be cold and cloudy with patchy rain, but many parts will stay dry. Southern France will have heavy rain. North-western France will also be wet, but most other districts will be dry and rather cloudy. The Iberian peninsula will be dry with some *decent spells of sunshine, but the* rest of the Mediterranean will be showery.
Eastern Europe will be cold with snow.

Five-day forecast

Eastern Europe and Scandinavia will remain cold with further snow in many parts. Western Europe will be wet and windy, but it will turn colder *and showery towards the end of the* week.
Showers in the Mediterranean will gradually die out. The *Iberian* peninsula will turn unsettled later in the week.

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius
Abu Dhabi	Sun 25
Accra	Fair 32
Algiers	Thunder 18
Amsterdam	Rain 4
Athens	Shower 15
Atlanta	Cloudy 19
B. Aires	Shower 24
B.ham	Cloudy 9
Bangkok	Fair 35
Barcelona	Fair 17
Beijing	Sun 4
Belfast	Rain 10
Belgrade	Rain 6
Berlin	Fair 2
Bermuda	Fair 22
Bogota	Fair 23
Bombay	Sun 30
Brussels	Cloudy 3
Budapest	Drzzl 6
C.hagen	Drzzl 3
Cairo	Sun 21
Caracas	Sun 31
Cardiff	Rain 11
Casablanca	Fair 20
Chicago	Sun 1
Cologne	Cloudy 3
Dakar	Sun 27
Dallas	Rain 12
Delhi	Cloudy 17
Dubai	Sun 26
Dublin	Rain 11
Dubrovnik	Thunder 14
Edinburgh	Cloudy 10
Faro	Fair 19
Frankfurt	Cloudy 2
Geneva	Cloudy 6
Gibraltar	Sun 18
Glasgow	Cloudy 10
Hamburg	Drzzl 3
Helsinki	Snow -1
Hong Kong	Cloudy 20
Honolulu	Sun 27
Istanbul	Shower 11
Jakarta	Cloudy 33
Jersey	Rain 13
Johannesburg	Fair 26
Karachi	Sun 26
Kuwait	Sun 20
L. Angeles	Sun 20
Las Palmas	Fair 24
Lima	Fair 30
Lisbon	Fair 18
London	Cloudy 10
Lux.bourg	Fog 3
Lyon	Rain 6
Madeira	Fair 21
Madrid	Sun 12
Majorca	Shower 17
Malta	Shower 19
Manchester	Cloudy 10
Manila	Fair 31
Melbourne	Fair 23
Mexico City	Sun 18
Miami	Fair 27
Milan	Cloudy 9
Montreal	Snow -2
Moscow	Cloudy-10
Munich	Cloudy 3
Nairobi	Fair 26
Naples	Shower 16
Nassau	Fair 28
New York	Cloudy 8
Nice	Rain 13
Nicosia	Thunder 19
Oslo	Cloudy -1
Paris	Cloudy 9
Perth	Sun 39
Prague	Cloudy 3
Rangoon	Sun 33
Reykjavik	Shower 8
Rio	Fair 31
Rome	Thunder 15
S. Frsco	Fair 12
Seoul	Fair 7
Singapore	Shower 30
Stockholm	Fair -1
Strasbourg	Cloudy 4
Sydney	Fair 27
Tangier	Fair 18
Tel Aviv	Shower 20
Tokyo	Rain 10
Toronto	Cloudy 3
Vancouver	Rain 7
Venice	Cloudy 10
Vienna	Rain 3
Warsaw	sleet 1
Washington	Fair 12
Wellington	Fair 21
Winnipeg	Fair -3
Zurich	Cloudy 3

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Fur trade grows in spite of flak

In spite of the flak it takes, the fur trade is proving robust enough to withstand the vagaries of both fashion and finance. Demand is booming in China and although Asian turbulence kept far-eastern buyers away from the recent Danish and Finnish auctions, traders say the atmosphere is favourable. Page 22

Cisco to buy LightSpeed in $160m deal
Cisco Systems, the US manufacturer of networking equipment, is buying LightSpeed, a privately owned voice and signalling translation technology company, in a paper transaction worth about $160m. Page 16

Macedonia doubles output of tobacco
Macedonia doubled output of Oriental tobacco to 25,000 tonnes this year after the government opened the tobacco sector to foreign investment. The cash-strapped former Yugoslav republic has sold three tobacco processing plants to Greek and US investors. Page 22

Warsaw to modify bank sale
The Polish government is set to modify the planned partial sale of the Pekao commercial bank and offer up to a further 35 per cent of its equity to strategic investors in the second half of next year. Page 16

Pohang secures loan
Pohang Iron & Steel has secured a $266m syndicated loan – *the first to a South Korean company* in months. The loan – from 16 international banks – was arranged before its credit rating was downgraded yesterday to Ba1 by Moody's, the US credit rating agency. Page 20

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 22

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Daiz Modul	78	+	8
Dragerwerk	33	+	3
Krones	612	+	47
Falls			
Babcock-BSH	87	–	11
Moksel	11.10	–	1.18
Villeroy	210	–	21
NEW YORK ($)			
Rises			
Dynatech	47	+	10¼
Lukens	28⅞	+	4⅞
Staten Island	*18¾*	+	*7½*
Falls			
Libbey	37⅞	–	3⅛
Kubota	51½	–	9⅜
RAI Tizm.	17	–	2⅞
LONDON (Pence)			
Rises			
Betterware	107½	+	10½
Home Counties	475	+	235
Lilleshall	82½	+	10
Ward	88	+	7½
Falls			
Abbey Natl	1028	–	37
Gen Cable	65	–	4½
TORONTO (C$)			
Rises			
OSF	9.80	+	1.05
Rio Narcea Gld	4.50	+	0.50
Sico	18.15	+	1.95
Falls			
Entertec Res	11.40	–	1.35
Mitel Tele	7.25	–	0.55
Ponderra Pet	11.00	–	1.00

PARIS (FFr)			
Rises			
Etoile Comm	154.90	+	13.70
SCAC Dino	1050	+	130
TPI	523	+	52.80
Falls			
Bioblock	299	–	70.90
GTMH	56.20	–	20.80
Grdptct-Photo	237.4	–	712.6
TOKYO (Yen)			
Rises			
Ajinomoto	1200	+	80
Falls			
Aoriku	*1070*	–	*140*
CSK	2980	–	220
Jap Radio	779	–	22
Lg Trm Cred	178	–	32
Toyo Seikan	1740	–	180
HONG KONG (HK$)			
Rises			
CDL Hotels	2	+	0.08
Hasco	18.75	+	0.35
Falls			
Amoy Props	8.55	–	0.15
Cathay Pac	5.45	–	0.35
Gt Eagle	10.35	–	0.55
Sime Dar HK	4.17	–	0.33
BANGKOK (Baht)			
Rises			
Phoenix Plp	11.50	+	2.50
Siam Steel	16.75	+	3.75
Wlk & Hong	45.75	+	10.00
Falls			
Bk of Ayudhya	17.50	–	6.00
Distar	11.00	–	4.50
LPN. Dv	7.70	–	3.30

New York & Toronto prices at 12.30.

Downgradings for South Korea, Indonesia, Thailand and Malaysia

Asian ratings cut to junk bond status

By Simon Davies and Edward Luce in London

The long-term sovereign debt ratings of South Korea, Indonesia and Thailand were all reduced to junk bond status yesterday by Moody's Investor Services, one of the two big international credit rating agencies. Malaysia was also downgraded.

The decision leaves Korea, a member of the Organisation for Economic Co-operation and Development, on a lower bond rating than El Salvador, Croatia, Tunisia and Slovakia.

Jerome Booth, head of markets research at ANZ Investment Bank, said: "The credibility of the rating agencies has taken another battering. Downgrading Korea to the level of Indonesia and Thailand does not make sense. It is as though they have given up on Asia."

Asian bonds took a hit in the international markets with the spread on the Korean Development Bank's four-year dollar bond widening to 9 percentage points over US Treasury bonds at one stage. The KDB originally issued the debt at a spread of less than 2 percentage points. Other Asian debt, including the sovereign bonds of Thailand and Indonesia, also dived.

Bond officials said the debt of the three affected countries was likely to suffer even more, given that many US fund managers are debarred from holding non-investment grade paper. "This will trigger a very large forced liquidation of Asian debt which will make the situation even worse," said an official at a US investment bank in London. "It will be almost impossible for Korea or Indonesia and Thailand to tap the markets in these conditions."

The rating agencies defended the downgrades on the grounds of the problems those Asian economies will have meeting debt payments. "The fact that Korea is rated at the same level as some of these countries is no reflection on the Korean economy, which is still very strong," said Christopher Huhne, head of sovereign ratings at Fitch-IBCA, the European agency. "Korea's problem is that it is facing a massive short-term liquidity crisis." Moody's said the regional crisis had "exposed the vulnerability to changes in market confidence of a number of countries that had built up high levels of short-term liabilities".

However, it hedged its latest downgrades, arguing that the medium-term outlook for East Asia was for "a return to more rapid growth in a sounder financial environment".

The rating agencies have attracted significant criticism for failing to predict the recent turmoil in Asia and for altering ratings long after the markets had already in effect downgraded the bonds.

Stewart Cowley, head of global fixed interest at Hill Samuel Asset management, said: "They tend to be reactionary. They analyse historical data and there are good legal reasons for that. But they have done their traditional job in Asia, and once more they are behind the curve."

Critics point out that the agencies have been paid by many of the regional governments to provide a debt rating, and are loath to downgrade unless completely confident in their arguments.

"Clearly there is concern in the markets about the credibility of the credit rating agencies given how abruptly they have made these rating changes," said Kevin Colglazier, a director of Global Asset Management in Singapore.

Bond officials said yesterday's decision had, in effect, put paid to Asia's plans to tap international bond markets in the near future. Korea, seeking to raise $9bn in a bond issue, was now shut out of the bond markets. All three countries had hoped to refinance emergency borrowings from the International Monetary Fund with issues in the international capital markets.

Long-term foreign currency ceilings

	Moody's		Standard & Poor's	
	Now	*Jan 1 1997*	Now	*Jan 1 1997*
South Korea	Ba1	*A1*	BBB-	*AA-*
Malaysia	A2	*A1*	A+	*A+*
Indonesia	Ba1	*Baa3*	BBB-	*BBB*
Philippines	Ba1	*Ba2*	BB+	*BB+*
Thailand	Ba1	*A2*	BBB	*A*

Miracle needed, Page 13
Posco's $266m loan, Page 20

Coca-Cola to buy Orangina for $840m

By Richard Tomkins in New York and Andrew Jack in Paris

Coca-Cola is to buy the Orangina brand of Pernod Ricard of France for FFr5bn ($840m), giving the US group a new sparkling orange drink for its product line.

Orangina is one of the leading soft drink brands in France but has limited exposure in other European countries and small sales in the US. Coca-Cola said it planned to use its worldwide distribution system to increase Orangina's sales.

"The Orangina brand has significant opportunity for future growth, not only in Europe but in many other markets around the world," said Douglas Ivester, Coca-Cola's chairman and chief executive. "The truly global nature of the Coca-Cola system will allow us to extend Orangina's reach even further."

The acquisition – the first since Coca-Cola's relatively small purchase of the Barq's root beer brand in the US in 1995 – comes soon after Mr Ivester succeeded Roberto Goizueto as Coca-Cola chairman *chief executive following* Mr Goizueto's death in October.

Pernod Ricard said its decision to sell Orangina reflected its decision to focus more on its wines and spirits business. It already owns brands such as *Havana Club*, *Wild Turkey*, Dubonnet and Jacob's Creek wine in this sector.

It said the disposal would increase its ability to acquire other brands, with a preference given to those outside France. But it ruled out the acquisition of Dewars, as too expensive and requiring a strong sales network.

Last month, before the latest transaction, it said it could easily find FFr5bn-6bn for purchases and expressed its appetite for acquisitions.

Orangina's main product is a carbonated soft drink containing orange juice and pulp. Pernod Ricard bought the international activities of Orangina in 1981 and its French activities in 1984, before launching an *international development programme* the following year.

The sale includes Orangina Light, Roangina Plus and Orangina Rouge, but not Brut de Pomme apple juice, Ricqlès mint drink and the Pam Pam fruit juice brands.

Lex, Page 14

ABN Amro agrees to buy BZW Australia

By Gwen Robinson in Sydney and Clay Harris in London

ABN Amro, the Dutch bank, has agreed to buy BZW Australia, the Australian and New Zealand operations of the investment banking arm of Barclays in the UK, for A$177m ($116m).

The deal, announced yesterday, will make ABN Amro the third largest foreign bank in Australia after Bankers Trust and Citibank of the US, with almost A$10bn in combined *assets*.

The price represents a A$36m premium to net assets. ABN Amro will bear the estimated A$60m cost of restructuring and staff retention. The Dutch bank said it expected "modest redundancies" from a combined workforce of *800*, although some staff in project finance might be reassigned.

The sale continues the piecemeal disposal of BZW's equities and corporate advisory businesses after Barclays' decision not to compete in global investment banking. The debt markets operation was retained and renamed Barclays Capital.

Credit Suisse First Boston agreed last month to pay £100m ($165m) *for* BZW's European equities and advisory business – a deal that was cleared yesterday by the European Commission – and is in exclusive *talks to* buy select operations in Asia. BZW has closed its Japanese equities business. Malaysia's division is likely to meet the same fate. The future of the Philippines' business is uncertain.

ABN Amro, already one of the largest banks in Asia, began developing operations in the Australian equity and debt capital markets only recently. Its ABN Amro Rothschild joint venture was joint global co-ordinator in the privatisation of Telstra, the Australian telecoms group.

Gerben Kuyper, senior executive vice-president, said the deal would act as a catalyst for combining the separately managed ABN Amro Hoare Govett broking and investment banking business and ABN Amro commercial banking in Australia. Steve Crane, chief executive of BZW Australia, is to lead the merged operation, ABN Amro Bank. The BZW name will disappear.

BZW has had no direct banking operations since it disposed of Barclays Australia's commercial loan portfolio in 1994, but it is a strong performer in equity and debt capital markets.

It has a 6 to 7 per cent share of daily equity turnover compared with 1.2 per cent for ABN Amro Hoare Govett.

BZW Australia generated about A$85m in revenues in the six months to June 30.

The transaction should be completed early in the new year, subject to due diligence and regulatory approvals.

Wal-Mart on the prowl for retail acquisitions in Europe and Japan

By Richard Tomkins in New York

Wal-Mart Stores, the US retailer which last week sealed a deal to buy Germany's Wertkauf hypermarket group, said yesterday it was searching for more acquisitions worldwide, particularly in Europe and Japan.

Bob Martin, head of Wal-Mart's international operations, said the company was committed to expansion outside the US, but in developed markets such as Europe and Japan it was more likely to buy existing retailers than *attempt to build its own* operations from nothing.

Mr Martin said Wal-Mart had spent more than two years looking *for* an opportunity to enter Europe – getting to know most of the big European retailers in the process, *including Britain's Tesco*, Germany's Metro and Makro of the Netherlands.

But he said Wal-Mart had decided it would not enter Europe unless it could get some level of critical mass from the outset, in much the same way as it entered Canada in 1994 through the acquisition of Woolworth's Woolco chain.

"There is already a strong retail base in Europe and, consequently, doing greenfield start-ups is not so easy," Mr Martin said. "We took the same position in Canada. It is just the view of the developed world that we have, and I think it's appropriate.

"I feel the same way about *most of Japan*. There *may* be isolated pockets where you could do greenfield start-ups, but Japan has a very sophisticated, well-developed retail industry. When you have that situation, critical mass is more difficult to obtain, so acquisitions *are a more appropriate* first step."

Mr Martin said Wal-Mart had chosen Germany as its entry point into Europe because it was the continent's biggest market and because of its central location. "Obviously, you can move in a lot of directions from a base in Germany," he said, indicating that Wal-Mart planned to spread outwards from there.

"It's competitive. There's no question that this is as competitive as any market you would want to enter. But we have always taken an approach of getting out and getting ourselves in the midst of it all."

Mr Martin said *Wal-Mart's* immediate priority with the Wertkauf acquisition would be to improve its distribution systems, take costs out of the supply chain and improve customer service "to create as strong a shopping experience *for the consumer as they can* find anywhere in the world".

With European expansion in mind, Mr Martin said Wertkauf's name might ultimately be changed to Wal-Mart, particularly if the stores came to resemble Wal-Mart's own stores. He said he was "constantly amazed" at how well Wal-Mart's name was already known in Europe.

Wal-Mart is the world's biggest retailer, with sales last year of $105bn. But the company has only recently begun to expand outside the US, and only $5bn of its sales came from the international division last year.

Mr Martin said the company was *looking* at *opportunities to* enter more than a dozen markets outside the US. Some are likely to come to fruition "in the next couple of years".

"I think you will probably see us doing some in emerging markets, as well as hopefully *finding some more to do in* Europe some day," he said.

US electricity companies plan $6.6bn merger

By John Labate in New York and Virginia Marsh in London

Two of the largest power companies in the US are to combine forces in a $6.6bn deal that will underline growing rationalisation in the US power market.

American Electric Power said it would acquire Central and South West Corporation in an all-paper deal. If approved by regulators, the businesses will form one of the largest electric power companies in the US, with holdings in several overseas markets, including the UK.

By combining with Central and South West, AEP will extend its energy interests across 11 US states, including Texas, Ohio and Virginia. The company, which will retain the name American Electric Power, is expected to serve 4.6m customers and have annual revenues of $11bn and a stock market value of $28.1bn.

"We believe that, together, AEP and Central and South West will be a successful competitor nationally and internationally into the 21st century," said E. Linn Draper, chairman, president, and chief executive of AEP. Mr Draper will stay on to head the new company, while E. R. Brooks, the chief executive and chairman of Central and South West, will hold a seat on the board.

The deal is expected to lead to the loss of some 1,300 jobs, mostly at the corporate level. Central and South West shareholders will receive 0.6 of an AEP share for each CSW share held, based on last Friday's AEP closing price of $52 a share. This amounts to a 20 per cent premium over last Friday's closing price of Central and South West, and will leave Central's shareholders with 40 per cent of the newly formed entity.

Mr Draper expected the deal to improve cash flow but said it would dilute earnings for two or three years. On Wall Street yesterday afternoon, AEP shares slid $1¼ to $50⅝, while Central and South West shares rose $⅝ to $27 1/16.

The two companies face a many layered regulatory approval process, which is expected to take 12 to 18 months and involve both state and federal authorities.

Meanwhile, regulators' demands are understood to be behind a decision by two other US power companies, Baltimore Gas and Electric and Potomac Electric Power, to call off merger plans. The two announced their proposed merger more than two years ago and have received regulatory approval. However, they said yesterday the deal had been called off because of "financial conditions" demanded by regulators.

The AEP/CSW deal has implications for the companies' holdings overseas, especially in the UK. AEP has 50 per cent of Yorkshire Electricity Group, while CSW owns Seeboard. Analysts said a merger of the two companies' interests in the UK was a possibility, though Stephen Littlechild, the electricity regulator, has said the first planned merger of regional electricity companies would almost certainly go to the Monopolies and Mergers Commission.

AIG buys American Bankers Insurance

By John Authers in New York

American International Group, the US-based multinational insurer, yesterday announced it was buying American Bankers Insurance, of Miami, in a deal worth $2.2bn. The acquisition will allow AIG to distribute credit insurance in developing economies.

It is the largest deal in *nominal terms ever completed* by AIG, which has become the biggest US insurer mostly through organic growth and acquisitions outside the US.

The deal is based on growing revenues, rather than cutting costs, and both sides expect it to enhance AIG's earnings next year.

Maurice Greenberg, AIG chief executive said: "Our global franchise will open opportunities for them, while we can market many of our consumer products through their distribution *system*."

Under the deal, AIG will acquire the outstanding shares of American Bankers. This will be at $47 each, with the exchange ratio calculated on AIG's average closing price in the 10 trading days before the deal closes, which is expected to happen early next year.

American Bankers specialises in credit insurance for consumers, and offers most of its products through financial institutions in the US such as credit card issuers, banks and retailers. This *type of business is strongly* developed in the US, but still comparatively weak in the rest of the world.

The company will retain a separate structure, operating as an AIG subsidiary under its present management.

Mr Greenberg described credit insurance as "an under-developed product in most of the world outside the US," and said AIG would attempt to expand the market, particularly in Asia and Latin America where it has a strong presence in other business.

He said he *would* not rule out an acquisition which diluted earnings for the future, but stressed the deal was not about increasing scale. He said: "Size by itself would never appeal to us. It has to make economic and financial sense."

US property and casualty insurance premiums have failed to grow by more than the rate of inflation for the past 10 years, forcing the largest insurers to look to foreign markets for revenue growth. Many are also looking to mergers as a means to cut costs

Ken Zuckerberg, analyst at Moody's, the ratings agency, said the transaction made strategic sense for both companies. "AIG will essentially become the market leader in the credit insurance and warranty businesses. It also allows American Bankers to leverage AIG's global network, and get access to their higher ratings. In an environment of soft property-casualty and limited US growth opportunities, consolidation makes sense."

Wall Street welcomed the *acquisition. By mid-session,* AIG's shares had gained $¾ at $105¼, while American Bankers was up $1⅛ at $45⅞.

BHF-Bank sells 50% stake in Charterhouse

By Andrew Fisher in Frankfurt and Andrew Jack in Paris

BHF-Bank, the medium-sized German bank, is to sell its 50 per cent stake in Charterhouse, the UK merchant bank, to Crédit Commercial de France for about £120m ($192m).

The sale is part of the German group's strategy of focusing on its domestic advisory business.

BHF and CCF each bought 45 per cent of Charterhouse from Royal Bank of Scotland four years ago, raising their holdings to 50 per cent each last year. Charterhouse, which welcomed the deal, earned net profits of £27m in 1996, with a higher result expected this year.

Charles-Henri Filippi, CCF's executive vice-president, said the acquisition would allow his group to enhance activities across Europe. Charterhouse will keep its name, and its private equity arm – which scarcely exists at CCF – will remain separately managed. But there will be greater co-operation between CCF and Charterhouse over mergers and acquisitions, equity markets, and structured finance.

The deal reflects the changes taking place in European investment banking, as banks jostle for position ahead of the single currency and in the face of tougher global competition. The German bank is striving to improve profitability by building its activities in corporate advice and financing, private banking and asset management, and trading.

Ernst Michel Kruse, chairman, has said BHF wants to achieve a pre-tax return on equity of up to 25 per cent in the next three years, against the current 12 per cent. BHF intends to build its corporate finance business with Mittelstand (medium-sized) companies, helped by its branches in London, New York and Singapore.

However, it will still co-operate with CCF – both banks own 2 per cent of each other's share capital – in international transactions such as trade finance, correspondent banking and operations in parts of the developing world.

BHF has been the subject of takeover speculation, but this has faded since Mr Kruse arrived last March. His efforts to improve the bank's profitability are backed by Allianz, the German insurer, and DG Bank, two leading shareholders.

CCF is also buying BHF's 15 per cent stake in Equinox Group Holdings, which specialises in Asian equity investments and corporate finance. CCF already holds 15 per cent of Equinox.

Ernst Michel Kruse: will rebuild corporate finance

Aspirations lost in France

By Clay Harris, Banking Correspondent

Charterhouse yesterday lost its distinction as an aspirant towards creating a three-centred European investment bank. Now, it faces a more conventional future as the wholly-owned subsidiary of a French bank, a status without much novelty after Société Générale's deal last week to buy Hambros.

Change of ownership, however, is nothing new for Charterhouse, which traces its name to 1925 and its lineage to 1880. The former Charterhouse Japhet was a member of the Accepting Houses Committee, once the City's inner circle. It went through a short phase as Charterhouse J Rothschild before Royal Bank of Scotland bought it 1985 in the run-up to London's "Big Bang".

In 1993, Royal Bank prefigured the retreat from investment banking by English clearing banks, by selling 90 per cent of Charterhouse to CCF and BHF-Bank; it sold its remaining stake last year.

The group has three parts – Charterhouse Bank; management buy-out specialist Charterhouse Development Capital, which led the £565m ($932m) Porterbrook rail leasing deal; and institutional stockbroker Charterhouse Tilney Securities. The private client business was bought by its management in 1993 and operates as Tilney & Co.

The investment bank has changed its focus almost as often as owners, sometimes shooting for mega-deals, sometimes for small ones, before settling on its current forte for the middle range between £50m and £400m. This specialisation by size takes precedence over focus on specific sectors.

It achieved a smooth management transition from Victor Blank, long-time chairman, to Michael Hepher, former British Telecommunications managing director. It has gone 14 months without a head of corporate finance, with no apparent damage. Corporate finance has been run by a three-member executive committee composed of Paul Baines, Pauline Embury and Andrew Speak.

Tyco in $1.77bn takeover

By William Lewis in New York

Tyco International, the highly acquisitive US industrial and service conglomerate, yesterday announced a $1.77bn takeover of the medical and surgical manufacturing devices division of American Home Products.

The all-cash deal is the latest by Tyco in recent months. This year it acquired ADT, the security group, for $5.6bn, and Keystone International, a valve and pipe manufacturer, for $1.2bn.

Tyco said yesterday it had entered into a definitive agreement to buy Sherwood-Davis & Geck, a division of AHP. Completion of the deal is subject to regulatory approval.

Sherwood manufactures medical and surgical devices including needles, syringes and other specialised disposable medical products. About 50 per cent of its $1bn annual sales come from outside of the US.

Tyco said it planned to integrate Sherwood within its disposable and speciality products group, and that the acquisition formed part of its growth strategy in the disposable medical products industry.

"The addition of Sherwood to our disposable medical products group will greatly enhance our competitive position by providing a broader line of products to our customers around the world," said Dennis Kozlowski, Tyco chairman and chief executive.

Tyco has operations in more than 50 countries and annual revenues of more than $11bn.

Generali board approves capital increase

The board of Assicurazioni Generali, the Italian insurer yesterday approved a L4,000bn ($2.3bn) capital increase to help fund the acquisition of German insurer AMB and two French insurers, agencies report from Milan.

The acquisitions are part of a deal agreed between the Italian insurer and Allianz, of Germany, to avoid a bid battle between the two for AGF of France.

Generali agreed to abandon its FFr55bn ($9.2bn) hostile bid for the French group in return for control of AMB, a subsidiary of Allianz, and for control as GPA and Proxima, two subsidiaries of Athèna.

Athèna was bought by AGF from the Worms group in a FFr12bn deal completed last week.

Generali said that, under the terms, of the capital increase, shareholders would be entitled to four shares for every 25 held at a price of L28,000 each – or a nominal price of L2,000.

It said shareholders would be asked to approve the increase at an extraordinary meeting on January 10.

Generali said it expected to spend L8,300bn buying 80 per cent of AMB.

It will make a public tender offer for AMB at DM210 a share – a premium of about 20 per cent over the average price of the last three months.

In a statement after yesterday's meeting, Generali said it also expected to spend L1,500bn on acquiring the French operations.

The two French companies will give the Trieste-based insurer more than a 4 per cent market share in France.

Shares in Genarali closed in Milan down L158 at L41,788.

INTERNATIONAL NEWS DIGEST

Cisco in $160m multimedia buy

Cisco Systems, the US manufacturer of networking equipment, is buying LightSpeed, a privately-owned voice and signalling translation technology company, in a paper transaction worth about $160m. The deal, the latest fill-in acquisition by Cisco, represents an important step in its strategy to combine multimedia capabilities into existing corporate and public networks. Cisco will swap between 2.7m and 3.3m of its shares for the outstanding shares and options in Washington-based LightSpeed. *Cisco*, whose shares closed on Friday at 53\frac{7}{16}$, expects a one-time charge against after-tax earnings of between 11 cents and 15 cents a share as a result of the transaction. *Paul Taylor*

■ EUROPEAN COMMISSION

Sita, Terra acquisitions cleared

The European Commission yesterday cleared the acquisition of certain subsidiaries of Browning-Ferris Industries, of the US, by Sita, the French company controlled by the Suez-Lyonnaise des Eaux group. Sita and Browning-Ferris Industries specialise in the collection, treatment and commercialisation of domestic industrial and commercial waste. In addition, the commission's competition authorities allowed Terra Industries, of the US, to acquire the nitrogen fertiliser business of Imperial Chemical Industries, of the UK. *Emma Tucker, Brussels*

■ ACCOUNTANCY

KPMG partners endorse merger

US partners of KPMG Peat Marwick, the accountancy firm, have overwhelmingly endorsed its proposed merger with Ernst & Young. Those in favour comfortably exceeded the two-thirds minimum required. The two firms are expected today to submit formal merger plans to competition authorities in Brussels. The two companies yesterday denied reports that they were planning to spin off their audit practices in order to win the regulatory go-ahead from the European Commission. *Christopher Adams, Insurance Correspondent*

■ BANKING

Rabobank buys NZ finance unit

Rabobank International, the Dutch agricultural co-operative bank, has agreed to pay about FL 120m ($60m) for Wrightson Farmers' Finance, the finance arm of Wrightson, the New Zealand rural services company. The business, which has a balance sheet total of Fl 650m, will operate from 28 branches under the name Rabo Wrightson Finance. *Clay Harris, Banking Correspondent*

■ POLAND

Warsaw to modify bank sale

The Polish government is set to modify the planned partial sale of the Pekao SA commercial bank and offer up to a further 35 per cent of its equity to strategic investors in the second half of next year. Fifteen per cent of the bank, which controls about 20 per cent of the financial system's assets, will be been floated on the stock exchange next spring. CSFB is advising the government on the sale of the bank, which reported a $154m net profit for the first 10 months of this year. *Christopher Bobinski, Warsaw*

■ SINGAPORE

Fidelity to close office

Fidelity Investments is to close its Singapore office next month and consolidate all Asia ex-Japan operations in Hong Kong, the US fund manager said yesterday. It said the decision was a strategic one, and not associated with the turmoil in Asian markets. *Louise Lucas, Hong Kong*

COMPANIES AND FINANCE: INTERNATIONAL

DBS plans acquisition of Thai Danu Bank

By Ted Bardacke in Bangkok and Sheila McNulty in Kuala Lumpur

The Development Bank of Singapore yesterday announced plans to take a 50.8 per cent stake in Thai Danu Bank, Thailand's 12th largest commercial bank, for Bt5.36bn ($114m).

If the deal is cleared, it will be the first time a foreign financial institution has taken a majority stake in a Thai bank since the country's authorities opened the door to foreign participation.

Thai authorities have set a year-end deadline for Thai banks either to come up with capital-raising plans or be taken over by the government. Several deals – including the takeover of First Bangkok City Bank by Citibank, of the US – are being studied.

The cancellation last week of a deal between ING Bank, of the Netherlands, and Siam City Bank fuelled worries that not enough buyers were willing to risk taking big stakes in Thai financial institutions.

However, Vickers Ballas, the Singapore brokerage, last week took a 49 per cent stake in Nava Securities, a leading Thai broker, and DBS said yesterday it was keen to expand its business in Thailand through Thai Danu.

"We are confident of Thailand's eventual recovery, long-term growth prospects and economic strength, notwithstanding the current economic and financial turmoil," said Ng Kee Choe, DBS president.

DBS plans to buy 268m new shares issued by Thai Danu at Bt20 each – a premium to last week's closing price of Bt15 and the bank's adjusted book value of Bt5 after accounting for non-performing loans and write-offs, according to Jardine Fleming.

An additional 32m shares will be placed with other institutional investors in Singapore. DBS, which runs offshore banking operations in Thailand, already owns 3.4 per cent of Thai Danu.

The injection of new capital will raise Thai Danu's equity from Bt11bn to Bt17bn. Its capital-adequacy ratio will rise to 17 per cent, the strongest in the industry, preparing it for the tighter provisioning requirements to be introduced by Thailand's central bank from January.

It also puts the bank in a strong position to bid for the performing assets of the country's 56 finance companies that were shut down earlier this month.

Analysts said the purchase was part of a campaign by Singapore banks to expand their business base. DBS was making the move now to take advantage of the weakened baht, said one.

JSkyB confirms talks on PerfecTV merger

By Michiyo Nakamoto in Tokyo

JSkyB, the Japanese satellite broadcasting service owned by News Corporation, Sony, Softbank and Fuji TV, confirmed yesterday it was in merger talks with its competitor PerfecTV.

JSkyB said its shareholders had approached PerfecTV about a merger on equal terms. PerfecTV, which is owned by a number of shareholders led by four large trading companies, had not officially accepted or rejected the offer, it said.

However, a decision is expected within a week to allow for preparations ahead of JSkyB's planned launch in April.

JSkyB said its decision to seek a merger was driven by growing competition in the multi-channel digital broadcasting market.

A merger of JSkyB and PerfecTV, which has been offering multi-channel digital services since 1996, would create an important force among satellite broadcasters competing for a market that has taken longer than expected to take off. It would have a capitalisation of Y40bn ($310m) and offer more than 200 channels.

The decision by JSkyB to seek a merger with PerfecTV highlights the increasingly difficult environment faced by satellite broadcasters in Japan. It also represents a climbdown by Rupert Murdoch, News Corp chairman, who started with a 50 per cent stake in JSkyB but is likely to end up with a much smaller interest in the merged company.

Sony, which has stakes in both JSkyB and PerfecTV, may become the largest shareholder in the new company. This would pave the way for it to become an integrated entertainment company with operations encompassing hardware, software and distribution.

Meanwhile, Mr Murdoch – who last year shook the Japanese broadcasting industry when he announced plans to set up a satellite service in Japan – appears to have been forced to scale back his ambitions.

Rupert Murdoch: forced to scale back ambitions Reuters

If the merger goes through, he will be joining with four of Japan's largest trading houses – Mitsui, Sumitomo, Itochu and Nissho Iwai – as well as the three existing partners in JSkyB.

Hutchison exit nets HK$2.3bn for HSBC

By Louise Lucas in Hong Kong

The Hongkong and Shanghai Banking Corporation has disposed of its remaining interest in the Hutchison Whampoa group, raising HK$2.3bn (US$296.8m) and ending a 22-year equity relationship with the Hong Kong conglomerate.

The bank said yesterday that it had sold its 5 per cent stake in Hong Kong International Terminals Group (HIT), a ports subsidiary of Hutchison Whampoa, in September. The stake had been held for nine years.

"The investment in HIT has been profitable for Hongkong Bank but it was not a core business for a financial services company," the bank said.

The sale marks the end of an equity relationship with Hutchison which began in 1975, when the banking group began to step its diversification.

The bank and Hutchison were close even before it was an investor: Douglas Clague, the conglomerate's erstwhile head, had also acted as deputy chairman of the bank.

Hongkong Bank bought 150m new shares in Hutchison in what was essentially a rescue bid – the company was a big debtor of the bank and, after a period of opportunistic expansion ahead of the 1974-75 slump, Hutchison was unable to repay its borrowings.

Keen to protect its own interests and aware of the reluctance of the colony's then governor to see Hutchison collapse, the bank stepped in as an investor.

Two years and a merger later, Hutchison became Hutchison Whampoa and the bank's 33.65 per cent stake was diluted to 22 per cent.

In 1979, the bank sold its 90m shares to Li Ka-shing for HK$639m in a move that created Hong Kong's first Chinese-owned "hong" – or trading house – and helped pivot Mr Li into the ranks of Asia's wealthiest tycoons.

This time the price tag is considered more favourable to Hongkong Bank: Nikko Research points out that it is much higher than the valuation attributed by China Resources, a mainland-backed conglomerate, which paid HK$3.5bn for a 10 per cent stake in HIT last December.

The latest transaction gives Hutchison 85 per cent of HIT.

The ports arm has performed strongly in the first 10 months of this year, but the outlook is clouded by fears of slower container growth and the possibility that Orient Overseas, an important client, may decamp to a rival terminal operator following its move to a new shipping alliance.

Anglo American to loosen De Beers ties

By Kenneth Gooding, Mining Correspondent

The structural and cultural changes sweeping Anglo American, South Africa's biggest group, are continuing as the group plans to cut some of the ties that for more than 100 years have bound it closely to De Beers, the world's biggest diamond mining and marketing company.

The move is the latest step in the process started last month, when Anglo said it would simplify its structure and consolidate its interests into independently managed companies, in which Anglo would hold significant interests.

In November, Anglo announced details of how it would put its separately listed gold companies into one group, Anglogold, that will be the world's biggest gold producer.

It said yesterday that De Beers would become a self-administered and free-standing company with its own staff. De Beer at present relies for much of its expertise on Anglo's Diamond Services Division.

From January 1, all 200 employees in this division will be offered positions with De Beers, which will introduce a share option scheme to help "focus management efforts".

De Beers will cancel its existing service agreements with Anglo against payment of a negotiated consideration. However, it may still ask Anglo to help with large projects "on an ad hoc and arm's-length basis".

In order to concentrate all Anglo's diamond activities in De Beers, Anglo and Anglo American Investment Trust (Anamint) will transfer their interests in companies controlled by De Beers' London-based Central Selling Organisation to De Beers.

The likely outcome is that Anglo will hold about 67 per cent of Anamint, and Anamint about 34 per cent of De Beers and 31 per cent of De Beers Centenary, the Swiss part of the diamond group.

Julian Ogilvie Thompson, chairman of Anglo and De Beers, said the transactions would not materially affect the earning and net asset value of De Beers, Anglo or Anamint. De Beers would remain the largest shareholder in Anglo and the second largest in both Anglo American Industrial Corporation and Minorco, the group's Luxembourg-listed offshoot.

Analysts said it was difficult to regard De Beers as an independent company while these links continued. "Until they break the loop of Anglo owning Anamint, and Anamint owning De Beers and De Beers owning Anglo, there will always be a discount on the asset values of these companies," said Roger Chaplin at T. Hoare, the London stockbroker.

Asian turmoil hits De Beers, Page 22

Bid tussle breaks out over Lukens

By Richard Waters in New York

A rare takeover tussle broke out in the US steel industry yesterday as Allegheny Teledyne, a metals company based in Pittsburgh, made an unsolicited $450m offer for Lukens, a producer of stainless steel that has already agreed to be acquired by Bethlehem Steel.

The struggle for control of Lukens reflects the growing pressure on US steel companies to raise their efficiency and cut costs – if necessary by consolidation – against a background of slowing demand and sluggish prices, particularly for stainless products.

Both Allegheny and Bethlehem are already big producers of stainless steel, and each has said a merger with Lukens would yield considerable savings.

In a letter to Lukens' directors, Richard Simmons, chairman of Allegheny, said his company had discussed a merger with Lukens for more than a year and was "surprised and disappointed" by news of last week's agreement with Bethlehem.

Allegheny said it would pay $28 a share in cash for Lukens, topping the earlier offer. Bethlehem has agreed to pay $25 a share, 62 per cent in cash and the remainder in stock.

Both companies would also assume Lukens' $250m of debt.

Lukens' shares rose $4⅝ on the news, to $28¾, on expectations of an even higher bid.

Allegheny pointed to the all-cash nature of its bid – at a time when steel companies' shares have been under considerable pressure – as one of the strongest aspects of its offer.

The company added that with an over-funded pension scheme, it was in a good position to help meet Lukens' unfunded pension liabilities.

Scotia's diabetes drug is blocked and Biocompatibles' sales will not reach targets

Further gloom for biotechnology sector

By Daniel Green

The shares of Biocompatibles and Scotia fell sharply yesterday, underlining the difficulties of the UK biotechnology sector.

Scotia shares fell 52½p to 265p in response to the announcement after the market closed on Friday that health regulators had blocked the launch of Tarabetic, a drug to treat diabetes. The shares touched 735p at their 1997 peak in January.

Biocompatibles lost another 20p to 457¼p as the company issued a statement saying sales would not reach planned targets, and that a partnership with a mainstream pharmaceuticals company was still some way off. Biocompatibles' shares peaked in April at £14.18.

The gloom spread across almost the entire sector, even affecting companies which have enjoyed a relatively good year, such as Cortecs and Chiroscience. There has been a series of failures in clinical trials this year, the most important of which was Celltech's drug to treat septic shock, abandoned in May.

The biotechnology sector has a history of volatility. Although some companies, such as Scotia, have sales, stock market valuations are based more on the perceived prospects of drugs in research.

Scotia's Tarabetic was aimed at patients suffering from the nerve damage caused by diabetes. The Medicines Control Agency, which oversees the sale of medicines in the UK, first blocked its approval in March. At the time, David Horrobin, Scotia chief executive, said he and some diabetes experts felt the evidence from clinical trials was strong enough to warrant approval. On Friday, the MCA disagreed and confirmed the block.

This month Dr Horrobin announced he was leaving the company he founded in 1979. The Horrobin family intends to sell its 17 per cent stake in Scotia over the next few years.

Biocompatibles' share price has been weak since the company announced in September that its talks to form a partnership with Johnson & Johnson, the US health care products company, had been largely abandoned. Biocompatibles makes a plastic coating friendly to the human body. The coating is used to cover stents (wire mesh implants to hold open blood vessels), catheters and contact lenses. J&J is one of the world's big stent suppliers.

Alistair Taylor, chief executive, said yesterday that Biocompatibles was holding talks with several other companies which might lead to the formation of two partnerships to develop and distribute its stents, one for heart products and one for other products.

The contact lens side was having mixed fortunes too, held back by "slower than expected" sales in the US.

ABN Amro to pay A$177m for BZW Australia

By Gwen Robinson in Sydney and Clay Harris in London

ABN Amro, the Dutch bank, has agreed to buy BZW Australia, the Australian and New Zealand operations of the investment banking arm of Barclays, for A$177m ($118.7m).

The deal will make ABN Amro the third-largest foreign bank in Australia after Bankers Trust and Citibank of the US, with almost A$10bn in combined assets.

The price represents an A$36m premium to net assets. ABN Amro will bear the estimated A$60m cost of restructuring and staff retention. It said it expected "modest redundancies" from a combined workforce of 800, although some overlapping staff in project finance might be reassigned.

The sale continues the piecemeal disposal of BZW's equities and corporate advisory businesses after Barclays' decision not to compete in global investment banking. The debt markets operation was retained and renamed Barclays Capital.

Credit Suisse First Boston agreed last month to pay £100m for BZW's European equities and advisory business – a deal cleared yesterday by the European Commission – and is in exclusive talks to buy select operations in Asia.

ABN Amro, already one of the largest banks in Asia, began developing operations in the Australian equity and debt capital markets only recently. Its ABN Amro-Rothschild joint venture was joint global co-ordinator in the privatisation of Telstra, the Australian telecoms group.

Steve Crane, chief executive of BZW Australia, is to lead the merged operation, ABN Amro Bank. The BZW name will disappear.

Merrill poaches NatWest team

By Jane Martinson

NatWest Markets has suffered its first serious staff defections since it was taken over by Bankers Trust, the US investment bank, earlier this month.

Merrill Lynch, another US investment bank, has poached NatWest's highly rated UK utilities team. Brokers at NatWest partly blamed the uncertainty that staff suffered during the extended negotiations.

Talks between NatWest and Deutsche Morgan Grenfell, which already has a significant equity research side, broke down before the deal with Bankers Trust was announced.

One NatWest broker said: "All analysts started taking out insurance policies when they heard that NatWest was involved in talks with DMG. This is a by-product."

Another analyst said that the bonuses offered by NatWest last week had not matched those from Merrill. "There was the initial euphoria over the deal and what's happened since has not been quite so upbeat," he said.

The three analysts who have resigned are Robert Miller-Bakewell, who covers the water sector, Simon Flowers, the gas distribution analyst, and Ian Graham, the electricity analyst. Richard Alderman, specialist salesman for the utilities sector, also handed in his notice last Thursday.

NatWest's team ranks second for all three utility sectors in this year's Extel league tables of analysts, higher than the former Merrill team. NatWest's European utilities team is also understood to be considering an offer from a rival investment bank.

Bankers, which paid National Westminster Bank £179m for the equities team, has targeted 150 "key" employees with incentives to help ease the merger process. Douglas Kidd, managing director of corporate affairs at Bankers Trust, said yesterday: "We do not find either unexpected or unusual that some employees may choose to seek opportunities elsewhere."

Austrian bank picks BZW chief

By Clay Harris

Graham Newall, former head of BZW's worldwide financial futures business, is to leave Barclays Capital, the bank's new stand-alone debt markets subsidiary, to join an Austrian bank.

Mr Newall, former chief executive of BZW Futures, will become managing director of CAGF London, the UK-based derivatives subsidiary of the Bank Austria/Creditanstalt group.

He had been effectively sidelined at BZW since June, when he was excluded from a new futures operating committee. Since then, he had acted as head of global marketing for futures.

CAGF London credited Mr Newall, who joins in February, with building BZW Futures into a "highly successfully global operation". He was responsible for opening BZW's futures operations in Singapore, Hong Kong, Sydney and Madrid.

He has taken part in a committee studying the feasibility of a central and eastern Europe futures clearing house and exchanges.

CAGF London said this made him particularly well suited to be leading Bank Austria's expansion in this area.

CAGF London was set up in 1995 as the derivatives clearing and broking operation of Creditanstalt. It is a member of Liffe and DTB, its rival Frankfurt futures exchange.

Bank Austria bought its Viennese competitor Creditanstalt in 1996, and integrated their central operations earlier this month.

Barclays Capital is what remains of BZW after Barclays' retrenchment in investment banking.

RESULTS

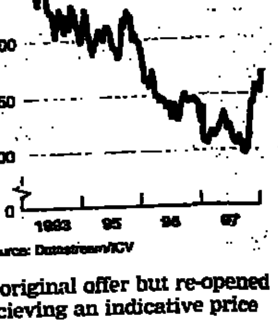
		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Barrasford Φ	6 mths to Sept 30	0.197	(-)	0.01	(-)	-	(-)	-	-	-	-	-
Castle Mill Intl	6 mths to Aug 31	0.931	(1.08)	0.146L	(0.277L)	0.13L	(1.31L)	-	-	-	-	-
Digital Animat's Φ	6 mths to Sept 30★	0.037	(0.03)	0.607L	(0.159L)	4.14L†	(1.55L)	-	-	-	-	-
Dyson (J&J)	6 mths to Sept 30	30.3	(29.6)	1.56	(1.69)	7.78	(8.23)	2	Jan 30	2	-	5.75
Freepages Φ	Yr to Sept 30	15.4	(4.72)	15L♠	(10.1L)	3.38L†	(3.03L)	nil	-	nil	nil	nil
Ivory & Sime	6 mths to Oct 31	10.2	(10.4)	4	(3.77)	8.29	(7.66)	2.85	Jan 29	2.85	-	9
Golden Land	6 mths to Sept 30	0.94	(0.617)	0.058L	(0.231L)	0.2L†	(2L)	nil	-	nil	-	nil
Savoy Asset Φ	6 mths to Sept 30☆	1.07	(0.956)	0.272	(0.239)	3.7	(3.3)	-	-	-	-	-
Sketchley	6 mths to Sept 27★	114	(74.2)	3.3	(2.64)	3.2†	(2.8)	nil	-	1.1	-	1.1
Versalite	Yr to June 30	0.87	(0.645)	0.195L	(0.107L)	0.135L	(0.074L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Henderson Electric	6 mths to Nov 30	304.49	(277.04)	1.74	(1.79)	1.93	(1.98)	1.85	Feb 2	1.8	-	3.8
Henderson Tech	6 mths to Oct 31	112.82	(96.18‡)	0.93L	(0.04)	0.63L	(0.03)	-	-	-	-	-
Invesco Recovery	Yr to Oct 31	130.4	(116.2)	0.765	(0.734)	9.3	(8.9)	5	Feb 25	4	9	8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. †On increased capital. ΦAim stock. ☆Pro forma. ★Comparatives restated. ‡At April 30.

NEWS DIGEST

Bupa acquires Care First



Bupa has bought Care First, the UK's largest nursing home operator, after increasing its offer from £241m to £273m ($450.5m). The mutually owned health insurance and hospitals group won control of 53 per cent of the company after getting a recommendation from the board of Care First for its improved bid. It raised its price from 150p a share to 170p after discovering that Chai Patel, the former chief executive of Care First, was on the point of launching a counter bid.

Care First had rejected Bupa's original offer but re-opened discussions on Sunday after recieving an indicative price from Mr Patel.

Mr Patel, who left Care First earlier this year after arguing with Keith Bradshaw, its founder and chairman, had raised up to £305m in long-term debt to finance a cash offer. He was in a position to match the agreed 170p bid, but conditions attached to his offer gave Bupa the edge.

Bupa plans to integrate Care First into its other nursing home operations. In June it paid £77m for Goldsborough, the hospital and care homes group, and the month before bought 14 nursing homes from Community Hospitals Group for £34m. The Care First deal makes it the largest nursing home operator in the UK. *Roger Taylor*

TI bolts on $100m Sealol

TI Group is extending its run of bolt-on acquisitions with the $100m purchase of the Sealol industrial division of EG&G, the US technology company.

The acquisition will be made by John Crane, the UK group's sealing systems offshoot, which will sell its Belfab metal bellows business to EG&G for $45m. The balance is payable in cash. TI shares rose 12p to 451½p – still 34 per cent below their October peak of 690½p.

Martin Angle, finance director, said John Crane had made an attempt seven years ago to buy Sealol but instead bought Florida-based Belfab for $14.3m.

Sealol, based in Rhode Island, would give John Crane world-leading technology in mechanical seals for the oil refining, petroleum and chemicals markets, with particular expertise in high-pressure and high-temperature pumps. The company, with a workforce of 750, had sales of $88.8m in 1996, on which it made a $10.3m operating profit. Net assets were $22.8m.

Belfab, which made $4.6m operating profit on sales of $27m in 1996, sells 75 per cent of its metal bellows to the cyclical semiconductor market. Net assets stood at $8m last December. *Andrew Edgecliffe-Johnson*

Merrill clinches MAM

Merrill Lynch, the US investment bank, yesterday declared its £3.1bn ($5bn) cash offer for Mercury Asset Management unconditional, after receiving acceptances for 76 per cent of the UK's leading pension fund manager. The group also said it had gained approval from all relevant regulatory authorities in the US and UK for the bid, which was announced last month. *Jane Martinson*

CSFB ranking

Credit Suisse First Boston ranks fourth in the IFR 1997 international equities bookrunner league table – up from 6th as reported in yesterday's FT – if the group's recent acquisition of Barclays' European equities and corporate advisory business is included in the tally.

BTR sale to Owens could be blocked

By Andrew Edgecliffe-Johnson

Owens Illinois, the US glass group seen as frontrunner to buy BTR's UK glass bottles business, may be prevented from doing so by competition authorities.

Rockware, the bottle maker put up for sale as part of the UK conglomerate's attempt to cut back to a coherent group of engineering businesses, has more than 30 per cent of the UK market, and is expected to fetch about £350m ($578m).

Its combination with Owens's United Glass would create a company with more than 60 per cent of the UK market.

This would risk a reference to the Monopolies and Mergers Commission.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 21.12.97 / Final Prices for Trading on 20.11.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TE use of system price £/MWh
0030	18.97	22.62	22.92	1.19
0100	19.06	22.62	22.92	1.19
0130	19.06	22.62	22.92	1.19
0200	19.06	22.62	22.92	1.19
0230	19.06	22.62	22.92	1.19
0300	19.06	22.62	22.92	1.19
0330	19.06	22.62	22.92	1.19
0400	19.06	22.62	22.92	1.19
0430	18.97	22.62	22.92	1.19
0500	11.03	22.49	22.79	1.19
0530	10.56	11.03	11.03	0.00
0600	10.56	22.08	22.38	1.19
0630	27.38	22.08	22.38	1.19
0700	27.38	31.49	31.73	1.19
0730	27.69	30.27	30.57	1.19
0800	30.36	32.98	33.29	1.19
0830	30.76	32.99	33.30	1.19
0900	33.83	33.81	34.13	1.19
0930	50.81	33.86	34.19	1.19
1000	50.81	48.97	49.31	1.19
1030	50.81	48.99	49.35	1.19
1100	50.81	48.98	49.34	1.19
1130	44.25	48.99	49.35	1.19
1200	44.25	48.98	49.34	1.19
1230	44.25	48.97	49.31	1.19
1300	44.25	48.95	49.29	1.19
1330	36.60	36.08	36.39	1.19
1400	36.60	36.07	36.40	1.19
1430	36.60	36.06	36.39	1.19
1500	36.60	36.05	36.38	1.19
1530	36.60	36.13	36.46	1.19
1600	33.55	36.16	36.22	1.19
1630	46.16	73.61	79.60	1.19
1700	90.07	93.88	103.23	1.19
1730	90.10	104.89	114.75	1.19
1800	90.08	89.94	97.02	1.19
1830	63.56	65.02	68.07	1.19
1900	44.25	51.02	52.13	1.19
1930	46.12	43.01	49.98	1.19
2000	36.60	36.17	36.54	1.19
2030	33.10	33.80	34.11	1.19
2100	31.62	30.54	30.85	1.19
2130	30.36	33.77	34.07	1.19
2200	27.14	30.27	30.57	1.19
2230	26.59	30.53	30.83	1.19
2300	22.84	29.75	30.05	1.19
2330	22.66	30.00	30.30	1.19
2400	10.60	22.08	22.38	1.19

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.87/MWh becomes 1.887p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of [illegible]

NEWS DIGEST

Bupa acquires Care First

TI bolts on $100m Sealol

Merrill clinches MAM

CSFB ranking

BUSINESSES FOR SALE

ABN·AMRO Bank

IRO INDUSTRIAL RECONSTRUCTION ORGANIZATION S.A.

IONIAN FINANCE

INVITATION TO SUBMIT BINDING OFFERS FOR THE ACQUISITION OF SHARES OF ELEUSIS BAUXITE MINES - MINING, INDUSTRIAL & SHIPPING S.A.

On the Basis of Article 6 para. 1(b) of L. 2000/91 it is announced that the company under the name "ELEUSIS BAUXITE MINES - MINING, INDUSTRIAL & SHIPPING S.A.", (herein after referred to as EBM or the Company) is offered for sale. The procedure to be followed is that of an international Public Tender Offering under the following terms and conditions:

a. THE OBJECT OF THE SALE

The transaction refers to the sale, as a whole, of 2,700,000 common voting shares, constituting 93.24% of the total share capital of the company. The shareholders who wish to transfer their holdings are the INDUSTRIAL RECONSTRUCTION ORGANIZATION S.A. (I.R.O.) which holds 1,874,000 shares and the NATIONAL BANK OF GREECE S.A. (NBG) with 826,000 shares. The offers that shall be submitted by interested parties must refer to the total amount of shares offered for sale.

b. SUMMARY INFORMATION

EBM was established in 1951. The company's area of activity involves the exploitation of Bauxite mines and other mines. The registered seat of the company is in Athens. Currently, the company is active in the exploitation of bauxite mines in the areas of Phthiotis, Phokis, Euboea, Attica and Boeotia and manganese mines in the Drama area. It also owns chromite mining concessions in

(Drs.000)	1994	1995	1996
Turnover	813,768	991,344	870,240
Gross Operating Profit	175,955	183,612	135,601
Total assets	3,978,729	3,849,176	4,193,503
Total Equity	2,209,518	1,533,058	1,305,663

Thessaly and nickel-iron concessions in central Euboea. It employs 63 people. Summary financial data of the company appears below:

c. FINANCIAL ADVISOR OF THE IRO FOR THE SALE

The role of Financial Advisor to the sale is assigned jointly to the Société Anonymes under the names IONIAN FINANCE S.A. (15 Valaoritou St., 106 71 Athens, Greece, Tel. 3622911, Fax. 3622976, person responsible Mrs. Maria Massoura) and ABN AMRO BANK N.V. (330. Thisseos Ave., Kallithea, Athens, Greece, Tel. 9398128, Fax. 9305328, person responsible Mrs. Martha Papanastassiou)

d. TERMS AND CONDITIONS FOR THE SUBMISSION OF BINDING OFFERS

1. The present tender will take place in accordance with the provisions of Article 6, para. 1(b) of L. 2000/91 as in force today, the terms of the present invitation and the terms stipulated in the relative "OFFERING PROCEDURES LETTER" which will be made available to the interested parties from the Advisors premises from the 19th of January 1998, regardless of whether such terms are repeated or not herein. Submission of an offer implies the acceptance without any reservations of these terms by the bidder.
2. Interested parties are invited to submit sealed binding offers at the premises of the Notary Public Mrs. Myrsini Iliadaki, (57 Stadiou St., Athens, Tel. (301) 32 37 162) not later than 13:00 hours on Thursday the 26th February 1998. Overdue offers will not be accepted and shall not be taken into consideration.
3. All offers must be accompanied, on the penalty of nullity of the offer, by a Letter of Guarantee for the amount of one hundred million Drs (100,000,000 Drs), issued by a Bank legally operating in Greece, valid, in the case of low bidders until the award of the sale of the Company to the successful bidder, and, in the case of the highest bidder, until the signing of the Share Purchase Agreement, and, in any case not due to expire before the 30th of June 1998. The text of the Letter of Guarantee is set forth in the Offering Procedures Letter and any amendments and additions to the text of the Letter of Guarantee will render it inactive, null and void.
4. The submission of the offers and the Letter of Guarantee must be made in a sealed and non-transparent envelope, in person, or *through a duly authorized for that purpose representative.*
5. The unsealing of the submitted offers will take place at the premises of the above mentioned Notary at 14.00 hours on Thursday the 26th of February 1998 and shall be open to all those who have submitted an offer in due time.
6. The offers must be submitted on the basis of a final Draft Share Purchase Agreement, as such will be finalised after receipt and possible incorporation into it of any remarks made by interested parties, which will be handled to the latter by 16/2/98, at the latest. Interested parties will have at their disposal adequate time to review and audit the Company and form their own view of its condition, at their own expenses and using their own personnel. For this reason, they will be entitled to have access to the premises of the company for the obtension of all relevant information.
7. The submission of an offer implies that the interested parties are fully aware of the true and legal position of the Company and no additional terms will be accepted over and above those included in the final Draft Share Purchase Agreement. The sellers, the advisors and the notary, are not responsible for any legal or actual defects, or for the lack of any characteristics of the assets or rights of the company, or for inadequate or bad description of the latter.
8. Offers must expressly mention the total price offered as well as the method and time of payment (cash or in installments, the number of installments, time of payment, proposed interest rate etc). A credit for the price is acceptable provided that at least 50% of the total amount offered is paid in cash upon the signing of the Share Purchase Agreement, while the rest shall be payable in semi-annual or annual installments, the first of which should be made not later than a year from the signing of the Share Purchase Agreement and on the condition that it is secured by a Letter of Guarantee issued by a Bank legally operating in Greece.
9. The offers should not include terms, reservations or indefinite conditions that result in uncertainty with regard to the total price offered or the method of payment, or other issues relating to the sale. Where an offer is submitted in a foreign currency, the price offered will be converted into Drachma for the evaluation, according to the fixing price offered by the Bank of Greece on the day of submission of the offer.
10. The sellers have the right to reject offers that include terms, reservations or any of the defects mentioned in paras. 8 and 9 above even if such offers are better in comparison to other offers with respect to the price offered. In any case, the sellers have the right, at their discretion, to reject offers that include terms and reservations, even if these offers are better when compared to the other offers or to consider the above terms as terms that are not included in the offer, while the remaining content of the offer shall remain binding. (art. 2 para. 7 Law 2302/1995).
11. The submitted offers must be accompanied by a concise Business Plan for the company by which the interested parties undertake a firm commitment as to the amount of investments to be realized and the anticipated number and time duration of job positions assured. Both these issues will constitute contractual commitments undertaken by the buyer.
12. The essential criteria for the evaluation of the offers are, among others:
    - the price offered
    - the assurance of as many job positions of the current personnel of the company and employees benefits as possible
    - the business plan and the amount of annual investment outlays to be realized.
    - the credibility, entrepreneurship and integrity of the interested party
    - the guarantees provided by the buyer for the payment of the price on credit and the other commitments that he undertakes.

    The evaluation system and the contribution of each of the above criteria to the final aggregate grade of each submitted offer will be made known to the interested parties together with the Offering Procedure Letter which will be available from the 19th of January 1998. The Offering Procedures Letter will also include the initial Draft Share Purchase Agreement upon which the interested parties can make comments to be submitted to the Advisors until the 6th of February 1998 at the latest.
13. In case an offer provides for payment of the price on credit, its evaluation will take into account its present value calculated by means of a fixed discount rate over the whole payment period which will be equal to the interest rate carried by the latest annual issue of the Greek State Treasury Bills used prior to the deadline for the submission of binding offers.
14. The buyer must accept penalty clauses for all terms included in his offer which concern the evaluation criteria regarding the amount of investments to be realized and the number of job positions to be assured. The amount and the method employed for the calculation of the penalties are determined in the Offering Procedure Letter referred to in para. 1 above.
15. The prevailing offer will be the one to obtain the highest grade according to the evaluation system as set out in the Offering Procedure Letter.
16. The sellers will notify in writing the person or entity to which the transfer of the company shall be awarded, in order to appear at the determined place and time for the signing of the Share Purchase Agreement, according to the terms of the offering and other terms that will be proposed by the sellers and agreed with that person or entity. In the event that the person or entity to whom the transfer of the company shall be awarded infringes its obligation to appear at the place and time determined in the above invitation of the Sellers and to execute the respective Share Purchase Agreement in accordance with the terms set forth in this present, as well as those included in such party's offer as finally formulated, then the amount of the aforesaid Letter of Guarantee shall be forfeited in favour of the Sellers on a pro rata basis as a penalty acknowledged and accepted to be fair and reasonable. In this case, the Sellers reserve their rights arising out of the liability, in accordance with the law, of those who failed to appear at the place and time of signature.
17. The sellers retain the right to declare the tender process abortive if the prevailing offer is not, on the whole, satisfactory to them.
18. The sellers maintain the right to modify the terms of the present invitation including the deadline for the submission of binding offers. If this is necessary, provided that the interested parties involved in the tender process are informed in writing and the publicity requirements provided for by Article 46a, para. 3 of L. 1892/90 are adhered to.
19. Those parties participating in the present tender process and submitting an offer do not acquire any right, claim or demands from the present invitation and their participation in the tender process against the Sellers or the Advisors for any reason or cause whatsoever.
20. The present document has been drawn up in the Greek language and translated into English. In any case the Greek text shall prevail.

Requests for the receipt of copies of this invitation and of the Offering Procedure Letter, which will be possible only after the signing of a confidentiality agreement and for any other information, the interested parties may be addressed to the Advisors' premises as follows:

IONIAN FINANCE S.A.	ABN AMRO BANK N.V.
Attn Mrs. Maria Massoura	Attn Mrs. Martha Papanastasiou
15 Valaoritou St.	330, Thisseos Ave.
106 71 Athens, Greece	Kallithea, Athens, Greece
Tel. 3622911	Tel. 9398128
Fax. 3622976	Fax. 9305328

Finally, please note that this announcement has been approved for the purposes of section 57 of the Financial Services Act 1988 by ABN AMRO BANK N.V., which is regulated by the Securities and Futures Authority for the conduct of investment business within the U.K.

MOORE STEPHENS BOOTH WHITE

By order of the Joint Administrative Receivers, David Rolph and Colin Wiseman of Moore Stephens Booth White, 1 Snow Hill London EC1A 2EN, the business and assets of the following company are offered for sale:

ROBSON ROAD HAULAGE LIMITED
(In Administrative Receivership and Liquidation)

- Storage and distribution business providing bonded warehousing facilities.
- Turnover approximately £2 million per annum.
- Occupies a 2.7 acre site in South East London. Possibility of acquiring lease or freehold from landlord.
- Pallet racking, alarms and surveillance systems installed on site.

For further details, contact Jeremy Willmont on 0171-334 0334

BUSINESS OPPOTUNITIES

CHANNEL ISLANDS
Full Offshore Incorporation & Administration.
Trust Establishment. Payroll Systems;
Assistance with management of Banking Facilities for Ex-Patriates.
For details & appointment write:
Croy Trust Limited, 2nd Floor,
34 David Place, St Helier,
Jersey JE2 4TE
Tel: 01534 878774 Fax: 01534 35401
E.Mail croytrst@itl.net
http://www.offshorejersey.com

PROJECT AND COMMERCIAL
funding available to UK and international clients.
Angio American
Group Plc.
Tel: 01924 201 365
Fax: 01924 201 377

BUSINESS SERVICES

Angera, Levin & Baltz
Commercial/Criminal Litigation
Cost Effective Representation
of Global Clients in U.S. Courts
U.S.A. offices in New York,
New Jersey, Pennsylvania.
908.306.1500, fax: x1900
Email: A3jr@angeralaw.com

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Lines open 24 hours!
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CONTRACTS & TENDERS

TSEUNG KWAN O EXTENSION
Prequalification For
Rolling Stock And Electrical & Mechanical Engineering Contracts

It is intended that, subject to final agreement with Government, the MTR Corporation will design, construct, finance and operate the proposed Tseung Kwan O Extension.

The MTR Corporation wishes to invite expressions of interest from suitably qualified Contractors for the following contracts, tenders for which will be invited commencing early 1998 and progressively into early 1999:

- Contract 651 Rolling Stock
- Contract 652 Signalling System
- Contract 653 Tunnel Environmental Control System
- Contract 654 Platform Screen Doors
- Contract 655 Power Supply System
- Contract 656 Trackside Auxiliaries
- Contract 659 Lifts
- Contract 662 Communication Systems
- Contract 663 Automatic Fare Collection Equipment
- Contract 664 Building Services for Stations and Ancillary Buildings
- Contract 665 Building Services for TKO Depot
- Contract 666 Main Control System
- Contract 668 Wash Plant Equipment
- Contract 669 Underfloor Wheel Lathe
- Contract 670 Mechanical Handling Equipment
- Contract 671 Depot Maintenance Support System
- Contract 672 Escalators

In order to be considered for prequalification leading to a potential invitation to tender, please apply in writing to:

MTR Corporation
Commercial/Contracts Department, T/Q E&M Team
15/F., World Trade Square, Tower 1
123 Hoi Bun Road
Ngau Tau Kok
Kowloon
Hong Kong
(Fax No. 852 2993 7786)

for a brochure entitled "Preliminary Information Brochure for Prospective Contractors" and a document entitled "Prequalification Questionnaire". Those Contractors who indicate that they wish to prequalify for the Rolling Stock contract will in addition receive documents entitled "Rolling Stock Supplementary Information" and "Rolling Stock Prequalification Questionnaire".

Applicants are requested to supply their Company Brochure and last audited financial report when applying for the above brochure and questionnaire.

Applicants are requested to complete and submit the Prequalification Questionnaire no later than 12 January 1998.

地鐵公司 MTR Corporation

LEGAL NOTICES

IN THE MATTER OF
I H D AMSTERDAM LIMITED
MIDSUMMER PUBLIC SERVICES LIMITED
METALPOOL LIMITED (formerly COLNE VALLEY WATER LIMITED)
AND IN THE MATTER OF THE INSOLVENCY RULES 1986

In accordance with rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Vivian Murray Bairstow and Daniel Robert Whiteley Smith of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above companies by the members on 11 December 1997.

NOTICE IS HEREBY GIVEN that the creditors of the above named companies are required on or before the 11 day of January 1998 to send their names and addresses, with particulars of their debts and claims to the undersigned Vivian Murray Bairstow and Daniel Robert Whiteley Smith of Robson Rhodes, 186 City Road, London EC1V 2NU the Joint Liquidators of the companies, and if so required by notice in writing from the Joint Liquidators either personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.

Note: This notice is purely formal and all creditors have been or should be paid in full.

Dated 12 day of December 1997
V M BAIRSTOW AND D R W SMITH *Joint Liquidators*

In the High Court of Justice
Chancery Division, Companies Court
IN THE MATTER OF
TWO WAY TV LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of Her Majesty's High Court of Justice (Chancery Division) dated 10 December 1997 confirming the reduction of the share premium account of the above-named company by £40,591,886 was registered by the Registrar of Companies on 15 December 1997.

DATED 18 December 1997
Frere Cholmeley Bischoff,
4 John Carpenter Street
London EC4Y 0NH
Solicitors for the above-named Company

Company Number: 2511677
Notice of resolution for payment out of capital
PLP MOTORS LIMITED

NOTICE IS HEREBY GIVEN in accordance with section 175 of the Companies Act 1985 that on the 18th December 1997 the above named company ("the Company") approved a payment of £114,283 out of capital for the purpose of redeeming 114,283 of its own redeemable preference shares; that the statutory declaration and auditors' report required by section 173 of the Companies Act 1985 are available for inspection at the Company's registered office at 6th Floor, Thavies Inn House, 3-4 Holborn Circus, London EC1N 2HL, and any creditor of the Company may at any time within the 5 weeks immediately following the aforementioned date of the resolution for payment out of capital apply to the Court under section 176 of the Companies Act 1985 for an order prohibiting the payment.

Dated 18th December
Christopher Lloyd
Director

IN THE MATTER OF
TRINETTE LIMITED (formerly CONTROL AND APPLICATIONS (UK) LIMITED)
G + H MONTAGE UK LIMITED
GUILDWEST PROPERTIES LIMITED
NEW ARC LIMITED
NWH INVESTMENTS LIMITED
SOGEA HOLDINGS (UK) LIMITED
SOGEA INVESTMENTS
TOFT HALL LIMITED
AND IN THE MATTER OF THE INSOLVENCY RULES 1986

In accordance with rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Vivian Murray Bairstow and Daniel Robert Whiteley Smith of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above companies by the members on 11 December 1997.

NOTICE IS HEREBY GIVEN that the creditors of the above named companies are required on or before the 11 day of January 1998 to send their names and addresses, with particulars of their debts and claims to the undersigned Vivian Murray Bairstow and Daniel Robert Whiteley Smith of Robson Rhodes, 186 City Road, London EC1V 2NU the Joint Liquidators of the companies, and if so required by notice in writing from the Joint Liquidators either personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.

Note: This notice is purely formal and all creditors have been or should be paid in full.

Dated 12 day of December 1997
V M BAIRSTOW AND D R W SMITH *Joint Liquidators*

THE INSOLVENCY ACT 1986
BLUESLATE LIMITED
(IN LIQUIDATION)

We, Margaret Elizabeth Mills and Alan Robert Bloom hereby give notice that at an Extraordinary General Meeting held on 8 December 1997 we were appointed joint liquidators of the above-named company. At a subsequent meeting of creditors held on 17 December 1997 our appointment was confirmed.

NOTICE IS HEREBY GIVEN that the Creditors of the above company are required, on or before the 14 January 1998 to send in their full names and addresses, full particulars of their debts or claims, and the names and addresses of their solicitors, (if any) to us, Margaret Elizabeth Mills and Alan Robert Bloom, of Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU and if so required by notice in writing from us, are personally or by their solicitors to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 17th day of December 1997
M E Mills
Joint Liquidator

The Financial Times plans to publish a Survey on

Business Education

on Monday January 19 1998

For further information please contact:

Marlon Wedderburn or Melanie Miles

Tel: +44 171 873 3234

Fax: +44 171 873 3064

or your usual Financial Times representative

FT Surveys

INTERNATIONAL CAPITAL MARKETS

Stable stocks send prices lower

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

Government bond markets were generally weaker yesterday as western stock markets stabilised. However, there was little direction and trading was thin.

"Everybody has had their eyes on all points east," said Paul Mortimer-Lee, chief capital markets economist at Paribas, referring to further turmoil in Asian markets following a string of sovereign downgrades from Moody's.

The International Monetary Fund released a report over the weekend projecting global economic growth of 3.5 per cent next year, 0.8 percentage points less than it had previously forecast. But Mr Mortimer-Lee suggested the IMF's assessment of the world economy might prove over-optimistic.

"Our view is that a number of these Asian economies will experience outright recession. And while by historic standards, bonds offer poor value, they might have further to run."

In the UK, there was further evidence of economic slowdown, although GILTS did not respond with enthusiasm. The government revised down third quarter GDP growth by 0.1 percentage point, to 3.7 per cent.

Andrew Roberts, gilts analyst at UBS Securities, said: "There is now more risk of a rate cut than a rate hike. Christmas sales figures appear very disappointing, anecdotally. The only concern is if wage settlements creep up."

The March contract edged $\frac{5}{32}$ down to settle at 121⅛, but turnover was only 24,000 contracts. However, gilts performed in line with bunds, with the adjusted yield spread remaining at 111 basis points.

GERMAN BUNDS also had a quiet day, settling 0.10 lower at 104.90 on just over 50,000 contracts. There was little response to the latest consumer prices index numbers, which were nonetheless better than many analysts had predicted. Analysts said activities in Asia would continue to drive the direction for bunds.

ITALIAN BTPs were the best performers among the larger European markets, with the March contract settling 0.05 higher at 116.23. In the cash market, the adjusted yield spread against bunds narrowed by five basis points to 35, the lowest in decades and only six basis points more than Spain.

After the market closed, the latest CPI data from 11 sample cities showed an inflation rate of zero month-on-month and 1.5 per cent year-on-year. This is likely to intensify expectations of a rate cut.

US TREASURIES were mixed by early afternoon as the short-end of the curve weakened during new auctions.

The benchmark 30-year Treasury bond had gained $\frac{3}{32}$ to 103$\frac{9}{32}$, sending the yield higher at 5.899 per cent. The 10-year note was up slightly, rising $\frac{1}{32}$ to 102⅞, yielding 5.732 per cent.

The two-year note was down $\frac{2}{32}$ to 99$\frac{27}{32}$, yielding 5.709 per cent. The Federal Funds rate was at 5.56 per cent.

Adding pressure on the short-end of the market were new auctions, including $15bn in two-year notes and $14.5bn in Treasury bills.

New figures on durable goods orders and consumer sentiment will be released today.

Posco secures $266m loan

By John Burton in Seoul

Pohang Iron & Steel (Posco) yesterday said it had secured a $266m syndicated loan – the first to a South Korean company in months, due to the nation's debt crisis.

The loan – from 16 international banks – was arranged before Posco's credit rating was downgraded yesterday to Ba1 by Moody's Investor Service, the US credit rating agency. The rating for Posco, the world's second largest steelmaker, reflects a general downgrade for state-owned companies in Korea after the long-term sovereign rating was cut earlier this month.

The loan will mature in three and a half years at 35 basis points above London interbank offered rates (Libor), which was considered highly favourable given the current tough borrowing conditions for Korean companies. The all-in-cost rate would be 110 basis points over Libor.

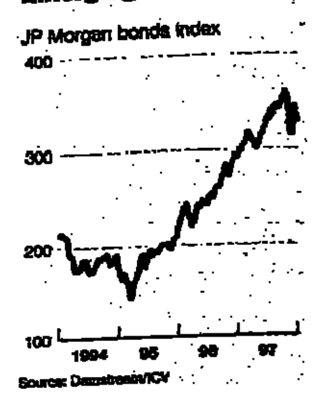
Citibank, of the US, was the lead manager, with 15 other US, Australian and Japanese banks, including the Bank of Tokyo-Mitsubishi and Sanwa Bank.

Posco will use the money to fund the construction of a hot-briquette iron plant in Venezuela. Raytheon, of the US, which is part of the venture, and other financial institutions have offered a payment guarantee for 40 per cent of loan, with Posco providing the remainder.

In spite of the ratings downgrade by Moody's, Posco is seen as one of Korea's financially strongest companies.

Downgrades take toll on Asian paper

By Edward Luce



Asian bonds took a beating yesterday following Moody's downgrading of Korea, Indonesia and Thailand to junk bond status.

In spite of this, other emerging market bonds, notably Brazil and Argentina held up relatively well on thin trading, with the spread on J.P. Morgan's emerging market bond index tightening marginally.

The EMBI spread narrowed by seven basis points from its London opening level and was trading at a spread of 579 basis points over Treasuries by early afternoon in New York. "This is very much an Asian phenomenon," said one investment banker. "There is no compelling reason why the Latin Americans should suffer as much this time."

Bankers said Asia's sovereign benchmark bonds had probably not yet seen the worst of the fall-out from the credit downgrades. Many large US holders of Korean, Thai and Indonesian paper would now be forced to liquidate their holdings under regulations.

This would become an even greater avalanche if Standard & Poor's followed suit and relegated the three economies to sub-investment grade status in the next few days. "This is going to trigger a large liquidation of Asian paper by US investors," said one banker in New York. "Where it stops is anybody's guess."

With some Korean paper touching spreads of 1,000 basis points over Treasuries yesterday, bankers were predicting Korea would be out of the primary markets for the foreseeable future. Just last week, Korean officials were seeking an outlet for a possible $9bn bond.

"It is a measure of how much has changed since late October that we aren't even surprised to hear that Korean sovereign debt is trading at these levels," said an official at a European house in London. "But when Russia widened out to a spread of 800 basis points eight weeks ago everybody's eyes were popping out."

Syndicate officials said yesterday's move had most likely put paid to hopes of a return to a lively primary market in January. Concern over the growing possibility of Asian corporate defaults in the near future would keep investors at bay.

"January is going to be a quiet month," said one syndicate head. "Even non-Asian borrowers will be wary of coming to the market while it is so uncertain."

There was no significant activity in the primary markets yesterday.

Indian institutions tap retail investors for funds

By Krishna Guha in Bombay

Industrial Development Bank of India yesterday announced a Rs7.5bn retail bond issue to raise funds for lending to infrastructure projects. Depending on demand, IDBI may double the issue to Rs15bn.

The launch follows an earlier announcement of a Rs3.5bn issue by Industrial Credit and Investment Corporation of India, which will also be used to fund infrastructure.

The bonds from IDBI and ICICI – India's two biggest financial institutions – are among India's biggest-ever domestic issues. They mark an increased effort to tap cash-rich savers to finance energy, telecommunications, and transport projects.

ICICI is seeking advance approval from Sebi, India's financial regulator, for further issues which may total up to Rs60bn next year.

Meanwhile, IDBI's board will meet by the end of this month to plan further bond issues. The Rs7.5bn deal is expected to cover funding requirements for the first quarter.

"A number of infrastructure projects are coming up for support right now," said P. Subramanyam, IDBI executive director.

The bureaucratic procedures for investment in power and telecoms are now "settled", opening the door to a wave of projects next year. The cement industry had already "started looking up" and infrastructure spending would also boost sectors such as steel.

India's retail savings market is awash with funds following interest rate cuts earlier this year. Anecdotal evidence suggests that some banks have so much cash – and are so short of quality lending opportunities – that they are turning away long-term depositors.

IDBI and ICICI hope to tap appetite for low-risk fixed income securities at a time when Indian equity markets are struggling to shrug off the fall-out from the market turmoil in east Asia and gold prices are falling.

The latest issues offer investors a choice of instruments. IDBI is offering four types of paper – an infrastructure bond (which attracts tax breaks) a regular income bond, a growing interest bond and a deep discount bond.

Mr Subramanyam said the regular income bond was targeted at pension money, while the growing interest bond offered savers a guaranteed rising interest rate over five years.

Both IDBI and ICICI see retail savings as a source of low-cost finance and an opportunity to diversify their sources of funding.

Tony Andrews

Energy boost: bonds will finance infrastructure projects

The two strategic finance institutions face growing competition from banks – notably State Bank of India – which have big retail networks, and are moving into project finance. An increasing number of private sector companies are also raising debt directly.

Analysts said IDBI and ICICI had to take a strategic decision to evolve into wholesale banks or commercial banks. IDBI is believed to favour the wholesale route, while ICICI has ambitions to become "a universal bank".

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 22	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.3915	5.41	-0.07	+0.01	+0.36	-0.77
	10/07	10.000	126.8768	6.01	-0.05	-0.07	+0.04	-1.32
Austria	09/99	7.000	104.3300	4.34	-0.02	-0.12	-0.19	+0.53
	07/07	5.625	102.1400	5.33	-	-0.03	-0.28	-0.52
Belgium	01/00	4.000	99.4000	4.30	-	-0.10	-0.04	+1.04
	03/07	6.250	106.1700	5.38	+0.01	-0.04	-0.28	-0.52
Canada*	09/99	4.750	99.2100	5.23	+0.01	+0.18	+1.13	+1.10
	06/07	7.250	111.4000	5.65	-	-0.02	+0.21	-0.76
Denmark	12/99	6.000	102.8300	4.46	-0.02	-0.10	-0.31	+0.36
	11/07	7.000	110.4000	5.60	-0.02	-0.08	-0.39	-1.04
Finland	01/99	11.000	107.0070	4.07	-0.01	-0.05	-0.19	+0.29
	04/06	7.250	112.5020	5.34	-0.04	-0.10	-0.39	-0.98
France	01/00	4.000	99.6500	4.18	-0.02	-0.13	-0.19	+0.69
	10/04	6.750	110.2000	4.95	-0.01	-0.07	-0.31	-0.24
	10/07	5.500	101.9000	5.25	+0.01	-0.03	-0.27	-0.52
	10/25	6.000	102.4400	5.82	+0.02	-0.01	-0.25	-0.93
Germany	09/99	4.000	99.9000	4.05	+0.01	-0.09	-0.19	+0.60
	11/04	7.500	113.8800	5.06	-0.01	-0.07	-0.23	-0.38
	07/07	6.000	105.4800	5.25	-	-0.04	-0.27	-0.55
	07/27	6.500	109.1700	5.84	-	-0.01	-0.27	-0.85
Ireland	04/99	6.250	101.5300	4.95	-0.13	-0.13	-0.43	-1.06
	08/06	8.000	116.8500	5.49	-0.05	-0.10	-0.47	-1.25
Italy	05/00	6.000	102.6100	4.82	-0.03	-0.13	-0.35	-1.57
	05/02	6.250	104.4000	5.11	-0.02	-0.11	-0.36	-1.64
	07/07	6.750	108.9200	5.53	-0.03	-0.13	-0.40	-2.05
	11/26	7.250	116.3500	6.04	-0.02	-0.11	-0.41	-2.05
Japan	03/00	6.400	112.7300	0.63	-0.01	+0.04	+0.24	-0.02
	12/02	4.800	117.0300	1.26	-0.01	+0.10	-0.01	-0.46
	09/05	3.000	109.3300	1.71	-	+0.03	-0.09	-0.65
	09/17	3.000	107.1700	2.54	-	+0.02	-0.12	-0.67
Netherlands	11/99	7.500	105.7900	4.24	+0.01	-0.10	-0.11	+0.83
	02/07	5.750	103.8200	5.21	+0.01	-0.04	-0.28	-0.51
New Zealand	02/00	6.500	97.6184	7.74	-0.04	+0.47	+0.80	+0.67
	11/06	8.000	105.9832	7.07	-0.03	+0.15	+0.45	-0.26
Norway	01/99	9.000	104.8200	4.40	-	+0.01	-	-0.12
	01/07	6.750	109.3100	5.42	-0.02	-0.04	-0.27	-0.91
Portugal	03/99	8.500	104.4306	4.72	-	-0.07	-0.18	-1.24
	02/07	6.625	107.3915	5.57	-0.02	-0.07	-0.33	-1.39
Spain	07/99	7.400	104.3445	4.49	-0.02	-0.11	-0.22	-1.32
	03/07	7.350	113.1138	5.50	+0.01	-0.07	-0.33	-1.46
Sweden	01/99	11.000	106.0240	5.07	-0.04	+0.01	-0.07	+0.45
	08/07	8.000	114.5680	5.96	+0.01	-	-0.28	-0.84
Switzerland	03/00	5.000	108.7000	1.87	-0.07	-0.12	-0.22	-0.20
	06/07	4.500	110.4000	3.21	-0.02	-0.11	-0.34	-0.65
UK	06/99	6.000	98.8203	6.77	+0.01	-0.08	-0.26	+0.09
	11/04	6.750	102.0156	6.38	+0.02	-0.02	-0.28	-1.08
	12/07	7.250	107.1953	6.27	+0.02	+0.01	-0.27	-1.35
	06/21	8.000	121.5703	6.24	+0.02	+0.04	-0.24	-1.47
US*	10/99	5.625	99.8520	5.71	+0.04	+0.02	-	-0.12
	11/04	7.875	112.0119	5.74	-	-0.07	-0.09	-0.40
	08/07	6.125	102.8992	5.73	+0.01	-0.04	-0.08	-0.63
	08/27	6.375	105.8044	5.96	-	-0.08	-0.11	-0.65
ECU	01/00	4.000	98.8600	4.58	-0.04	-0.09	-0.12	+0.52
	04/07	5.500	100.8400	5.38	-0.01	-0.02	-0.30	-0.74

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Dec 22	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.01	+0.76	-0.28	New Zealand	7.07	+1.82	+1.34
Austria	5.33	+0.08	-0.40	Norway	5.42	+0.17	-0.31
Belgium	5.38	+0.13	-0.35	Portugal	5.57	+0.32	-0.16
Canada	5.65	+0.40	-0.08	Spain	5.50	+0.25	-0.23
Denmark	5.60	+0.35	-0.12	Sweden	5.96	+0.71	+0.23
Finland	5.34	+0.09	-0.38	Switzerland	3.21	-2.04	-2.52
France	5.24	-0.01	-0.49	UK	6.27	+1.02	+0.54
Germany	5.25	-	-0.48	US	5.73	+0.48	-
Ireland	5.49	+0.24	-0.24	ECU	5.38	+0.13	-0.35
Italy	5.53	+0.28	-0.20				
Japan	1.71	-3.54	-4.02				
Netherlands	5.21	-0.04	-0.52				

Source: Interactive Data/FT Information. London closing, *New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Dec 22	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	94.9730	8.45	-0.33	+0.35	+2.76
Poland	07/04	7.125	BBB-	97.5419	7.61	+0.05	+0.61	+1.90
Russia	06/07	10.000	BB-	87.0138	12.36	+0.44	+0.11	+6.63
■ LATIN AMERICA								
Argentina	09/27	9.750	BB	90.0000	10.86	+0.07	+0.13	+4.98
Brazil	05/27	10.125	BB-	86.6300	11.75	+0.23	-0.05	+5.85
Mexico	05/26	11.500	BB	114.4882	9.94	-	-0.03	+4.05
■ ASIA								
China	07/06	7.750	BBB+	103.9241	7.11	-0.29	+0.01	+1.39
Philippines	10/16	8.750	BB+	88.3962	10.01	-0.30	-0.14	+4.20
Thailand	04/07	7.750	A-	81.1150	9.20	-0.30	-0.75	+3.47
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	8.125	BB-	102.8756	7.82	-0.28	-0.13	+2.12
South Africa	10/06	8.375	BB+	102.4472	7.97	-0.28	-0.06	+2.25
Turkey	09/07	10.000	B	99.7261	10.03	-0.18	-0.32	+4.30
■ BRADY BONDS								
Argentina	03/23	5.500	BB	71.3500	8.81	-0.06	-0.09	+2.94
Brazil	04/14	4.500	BB-	71.8800	10.97	-0.21	-3.59	+5.18
Mexico	12/19	6.250	BB	81.5000	8.06	+0.02	-0.34	+2.23
Venezuela	03/20	6.750	B+	83.7500	8.37	+0.04	+0.17	+2.53

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	101.66	101.56	-	101.76	101.50	26,172	139,021
Jun	101.06	100.96	-	101.06	101.06	2	125
Sep	100.82	100.72	-	100.82	100.82	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
96	5.56	5.56	4.96	-	0.03	0.06
97	4.56	4.58	4.06	0.01	0.05	0.17
98	3.57	3.60	3.22	0.02	0.09	0.31
99	2.60	2.70	2.46	0.05	0.16	0.53
100	1.67	1.85	1.81	0.12	0.30	0.86

Est. vol. total, Calls 4,854 Puts 4,790. Previous day's open int., Calls 82,536 Puts 78,476.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	105.06	104.90	-0.10	105.16	104.86	51569	240768
Jun		104.31	-0.10			0	1144

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
10450	0.40	0.77	1.04	1.22	0	0.37	0.64	1.41
10500	0	0.48	0.76	0.98	0.10	0.58	0.86	1.67
10550	0	0.26	0.54	0.77	0.60	0.86	1.14	1.96

Est. vol. total, Calls 15418 Puts 8835. Previous day's open int., Calls 174786 Puts 202355

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.41	104.41	+0.04	104.56	104.38	57,109	185,495

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	104.43	104.40	-0.01	104.85	104.40	2,871	29,648
Jun		103.82	-0.01				

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.20	116.23	+0.06	116.40	116.17	14866	117436
Jun		115.63	+0.06			0	73

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11600	0.97	1.25	0.74	1.62
11650	0.71	1.04	0.98	1.91
11700	0.50	0.85	1.27	2.22

Est. vol. total, Calls 4351 Puts 1309. Previous day's open int., Calls 37939 Puts 37691

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	106.45	106.31	-0.06	106.53	106.30	26,735	91,646

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	121-07	121-00	-0-04	121-07	121-05	182	8366
Mar	121-25	121-16	-0-05	121-27	121-15	24160	179825

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
121	0-32	1-12	1-32	0	0	0-44	1-00	15-12
122	0	0-43	1-00	0	0-32	1-11	1-32	16-12
123	0	0-22	0-39	0	1-32	1-54	2-07	17-12

Est. vol. total, Calls 274 Puts 405. Previous day's open int., Calls 53414 Puts 38036

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	100.60	100.62	+0.06	100.90	100.78	85	5,844

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-20	120-30	+0-05	121-09	120-19	444,848	590,780
Jun	120-18	120-20	+0-05	120-20	120-17	659	28,337
Sep		120-06	-	-	-	302	4,764

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Mar				129.82	129.70	75	n/a
Jun						0	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Dec 22	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	104.2730	6.15	-0.03	-0.07	+0.46
NY Tel	08/25	7.00	A+	99.3281	7.05	-0.03	-0.06	+1.15
CWE	05/08	8.00	BBB	109.6104	6.69	-0.05	-0.08	+0.98
■ FINANCIALS								
GECC	05/07	8.75	AAA	117.2887	6.28	-0.05	-0.10	+0.57
Banc One	08/02	7.25	A+	104.1030	6.20	-0.04	-0.08	+0.51
US West	01/07	7.30	BBB+	103.9198	6.71	-0.04	-0.15	+1.00
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A-	99.8117	6.39	-0.01	+0.07	+0.74
Wal Mart	05/02	6.75	AA	102.4360	6.10	-0.03	-0.08	+0.41
Dayton Hud	06/21	9.70	BBB+	130.7436	7.01	-0.03	-0.11	+1.11
■ AGENCIES								
FHLMC	04/07	7.14	N/A	107.7567	6.08	-0.05	-0.08	+0.32
SLMA	03/00	7.50	N/A	103.4344	5.81	-0.03	-0.02	+0.15
FNMA	02/18	8.95	N/A	129.8099	6.31	-0.03	-0.11	+0.41
FFCB	06/06	8.95	N/A	119.1129	6.02	-0.05	-0.10	+0.31
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	100.2500	0.00	-	-	-
AK Stl	12/01	9.13	BB-	103.0000	0.00	-	-	-
Pacalta	06/04	10.75	B-	97.5000	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.69
Broker loan rate	7¼	Two month	-	Three year	5.71
Fed.funds	5⅝	Three month	5.47	Five year	5.71
Fed.funds at intervention	-	Six month	5.52	10-year	5.72
		One year	5.53	30-year	5.91

INTERNATIONAL BONDS

Dec 22	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	103.3100	5.28	-	-0.29	+0.03
Spain	01/07	5.750	AA	102.3700	5.41	-	-0.27	+0.16
Philip Morris	03/04	5.375	A	99.9000	5.39	-0.01	-0.29	+0.41
Finland FRN	09/02	3.820	AA	100.7431	4.27	-	-0.34	-0.45
■ EURO FFR								
Austria	01/04	5.500	AAA	102.6800	4.98	-	-0.28	+0.03
Abbey Nat	02/04	6.000	AA	104.6700	5.09	-0.02	-0.28	+0.14
Cred Foncier	02/04	9.125	A	119.0700	5.39	-0.01	-0.30	+0.44
3CIF FRN	12/01	3.750	AA-	99.8598	4.40	-0.02	-0.53	-0.16
■ EURO LIRA								
EIB	02/07	7.000	AAA	110.6500	5.48	-0.01	-0.39	-0.05
Abbey Nat	02/02	6.800	AA	105.6500	5.24	-0.02	-0.38	+0.13
Walt Disney	06/00	8.625	A	107.6800	5.23	-0.02	-0.35	+0.41
EIB FRN	03/01	5.825	AAA	100.3082	4.71	-0.03	-0.30	-0.26
■ EURO £								
EIB	12/07	7.625	AAA	107.5125	6.57	+0.05	-0.32	+0.30
Dresdner Bk	12/07	7.750	AA-	104.8756	7.05	+0.05	-0.28	+0.78
British Gas	08/00	7.625	A+	100.5775	7.31	+0.03	-0.14	+0.63
Abbey Nat FRN	02/02	7.830	AA	100.0295	6.48	+0.03	-0.26	-0.02
■ EURO $								
EIB	04/07	7.250	AAA	107.7339	6.13	+0.04	-0.17	+0.40
ABN Amro	08/07	7.125	AA-	104.5139	6.48	+0.08	-0.12	+0.75
Quebec	01/07	7.000	A+	103.6926	6.46	+0.05	-0.13	+0.73
Citicorp FRN	02/04	5.938	A+	99.1668	6.10	+0.14	+0.18	+0.39
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	118.1521	6.08	+0.06	+0.37	+0.24
Toronto	05/04	8.500	AA+	113.2247	5.95	+0.01	+0.30	+0.11
Bell Canada	07/99	10.625	A+	106.9731	5.76	+0.06	+0.89	+0.12
Deutsche B FRN	09/02	5.875	AAA	100.9593	5.64	+0.06	+0.17	-0.13
■ EURO YEN								
World Bank	03/02	5.250	AAA	117.2000	1.08	-	-	-0.02
Spain	03/02	5.750	AA	119.2000	1.09	-0.04	-0.02	-0.01
Cred Foncier	08/02	4.750	A	113.9187	1.60	-0.05	+0.04	+0.50
Italy FRN	07/99	0.594	AA	100.3458	0.38	-0.03	+0.19	-0.19

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Mon Dec 22	Day's change %	Fri Dec 19	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.86	-0.07	119.97	2.16	10.39
2 5-15 years (21)	159.16	-0.07	159.27	2.12	11.88
3 Over 15 years (4)	192.29	-0.09	192.45	1.58	14.12
4 Irredeemables (6)	235.65	-0.19	236.36	1.81	14.74
5 All stocks (48)	151.83	-0.05	151.92	2.11	11.88

Index-linked	Mon Dec 22	Day's change %	Fri Dec 19	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	212.64	0.00	212.64	1.38	6.09
7 Over 5 years (10)	217.65	-0.04	217.75	1.75	5.57
8 All stocks (12)	216.05	-0.04	216.13	1.71	5.76

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

UK Indices

Yield Indices	Low coupon yield Dec 22	Dec 19	Yr. ago	Medium coupon yield Dec 22	Dec 19	Yr. ago	High coupon yield Dec 22	Dec 19	Yr. ago
5 yrs	6.42	6.41	7.31	6.51	6.50	7.37	6.56	6.54	7.42
15 yrs	6.26	6.25	7.73	6.28	6.26	7.71	6.36	6.37	7.69
20 yrs	6.26	6.25	7.79	6.28	6.25	7.74	6.38	6.37	7.70
Irred.†	6.36	6.37	7.81						

Index-linked	Inflation 5% Dec 22	Dec 19	Yr. ago	Inflation 10% Dec 22	Dec 19	Yr. ago
Up to 5 yrs	3.02	3.01	3.19	2.26	2.25	2.48
Over 5 yrs	3.02	3.01	3.88	2.80	2.80	3.35

FT Fixed Interest Indices

	Dec 22	Dec 19	Dec 18	Dec 17	Dec 16	Yr ago	High*	Low*
Govt. Secs. (UK)	101.70	101.81	101.45	101.33	101.57	94.42	101.83	93.31
Fixed Interest	134.44	134.10	133.58	133.91	134.23	115.41	134.23	115.32

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UK GILTS PRICES

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Downgrades take toll on Asian paper

CURRENCIES AND MONEY

Market awaits reaction to yen's slide

MARKETS REPORT

By Richard Adams

The yen continued to be caught in a tug-of-war between the market and Japanese authorities yesterday, with fears of intervention putting a floor under its weakness against the dollar.

The US dollar broke through the Y130 level against the yen during trading on the foreign exchange markets yesterday. But dealers said they remained nervous that a fall in the yen would prompt the Bank of Japan to intervene aggressively over the London and New York holiday period.

At the end of trading hours in London, the yen closed at Y130.38, over one yen higher than its previous close of Y128.97.

"While foreign exchange intervention talk has helped arrest the decline in the yen, *persistent warnings* over the state of the economy maintain the bearish outlook for the yen," said Michael Lewis, currency analyst at Deutsche Morgan Grenfell in London.

The possibility of intervention against the dollar helped other currencies rise against the yen. Sterling briefly rose to its highest level against the yen since September 1992, at over Y218, but later fell back to Y216.88. The D-Mark also rose to Y73.23, from its Friday level of 72.91.

In low-volume trading, sterling also rose to its highest intra-day level against the D-Mark for two weeks, at DM2.972, but weaker than expected UK GDP data and strong German growth forecasts helped the pound settle back to DM2.9616.

■ Pound in New York

Dec 22	—Latest—	– Prev. close –
£ spot	1.6620	1.6695
1 mth	1.6598	1.6673
3 mth	1.6551	1.6626
1 yr	1.6362	1.6436

The yen was also hurt by a slew of credit agency downgrades announced for several south-east Asian countries. The Thai baht and the South Korean won both fell against the US dollar.

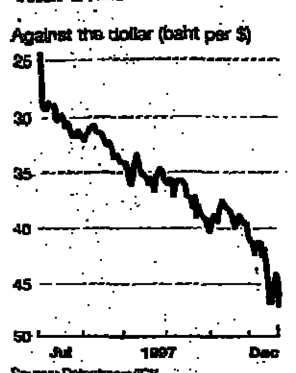
■ The dollar's strength against the D-Mark persisted yesterday, despite weakening in late trading. In Europe the dollar closed up at DM1.7804, from Friday's close of DM1.7688.

The D-Mark's weakness "will not come as unwelcome news" for the other currencies in the European Exchange Rate Mechanism, according to Mr Lewis. The direction of European currencies during 1998 will be toward their central parities within the ERM grid, which points to further exchange rate adjustments in the Irish punt, the Italian lira, the Spanish peseta and the Finnish markka.

"Revaluation continues to be an issue for the Irish punt, particularly with sterling remaining so strong, and the recent tax cuts announced by the government in the 1998 budget," Mr Lewis said.

Thai baht

Against the dollar (baht per $)



Source: Datastream/ICV

■ Moody's rating agency yesterday cut the Thai government's long-term foreign-currency debt to the speculative grade Ba1 from Baa3, an investment grade. Some investment funds are barred from holding debt rated at speculative levels. Moody's confirmed the lower B1 rating on Thai bank deposits.

The government's rating is a ceiling for all debt in the country, since no private borrower will be rated higher. A cut in the long-term ratings of major Thai banks inevitably followed the downgrade.

The baht fell against the dollar in the wake of the downgrades to Bt47.05, although not by as much as some analysts had feared as the market had largely anticipated the re-ratings.

■ South Korea's central bank said it would liberalise interest rates on foreign-currency deposits at local banks from today, to help increase foreign exchange reserves at the banks.

The interest rates on short-term deposits maturing in less than three months would remain *capped at an annual one* percentage point above international market rates, the Bank of Korea said.

The policy change did little to help the won, which fell by a further 135 to 1710 against the US dollar. Stephen Lewis, chief economist at Monument Derivatives in London, said that the won's devaluation would only benefit the Korean economy if conditions of internal financial stability can be quickly restored.

"Punishingly high real interest rates on the South Korean won, higher than those on the Mexican peso in 1995, are imposing a major deflationary burden on the economy," Mr Lewis said.

■ OTHER CURRENCIES

Dec 22	£	$
Czech Rp	57.4287 - 57.5395	34.5320 - 34.5790
Hungary	336.292 - 336.611	202.220 - 202.290
Iran	4992.00 - 4989.00	3000.00 - 3000.00
Kuwait	0.5062 - 0.5074	0.3044 - 0.3048
Poland	5.7972 - 5.8107	3.4860 - 3.4920
Russia	9871.57 - 9878.17	5936.00 - 5937.00
U.A.E.	6.1079 - 6.1120	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Dec 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8376	+0.0737	277 - 474	20.9118	20.7646	20.7742	3.7	20.6488	3.6	20.1697	3.2	102.5
Belgium	(BFr)	61.1337	+0.2232	820 - 853	61.3340	61.0650	60.9233	4.1	60.5548	3.8	59.0565	3.4	102.0
Denmark	(DKr)	11.2847	+0.0385	798 - 897	11.3319	11.2780	11.2494	3.8	11.1844	3.6	10.9348	3.1	104.3
Finland	(FM)	8.9576	+0.0371	528 - 623	8.9960	8.9520	8.926	4.2	8.8693	3.9	8.6579	3.3	80.8
France	(FFr)	9.9114	+0.0227	073 - 154	9.9574	9.9070	9.8774	4.1	9.8172	3.8	9.5627	3.5	105.5
Germany	(DM)	2.9616	+0.0103	603 - 629	2.9771	2.9591	2.9519	3.9	2.9334	3.8	2.8589	3.5	103.2
Greece	(Dr)	466.961	+2.503	455 - 468	468.431	463.886	471.906	-12.7	479.79	-11.0	509.586	-9.1	65.3
Ireland	(I£)	1.1463	+0.0027	452 - 474	1.1479	1.1417	1.1454	0.9	1.1421	1.5	1.1186	2.4	98.3
Italy	(L)	2904.06	+6.87	194 - 618	2916.04	2901.80	2900.58	1.4	2892.68	1.6	2838.36	2.3	75.9
Luxembourg	(LFr)	61.1337	+0.2232	820 - 853	61.3340	61.0650	60.9233	4.1	60.5548	3.8	59.0565	3.4	102.0
Netherlands	(Fl)	3.3374	+0.0111	356 - 391	3.3530	3.3356	3.3253	4.4	3.3048	3.9	3.2201	3.5	101.4
Norway	(NKr)	12.1271	+0.0295	233 - 309	12.1913	12.1197	12.0849	4.2	12.0135	3.7	11.755	3.1	98.2
Portugal	(Es)	302.824	-0.769	649 - 998	304.142	302.633	302.211	2.4	300.89	2.6	294.382	2.8	91.5
Spain	(Pta)	250.781	+0.415	681 - 881	251.350	250.520	250.226	2.7	249.105	2.7	243.611	2.9	76.7
Sweden	(SKr)	12.9383	+0.0115	302 - 463	13.0025	12.9234	12.9076	2.8	12.8505	2.7	12.6517	2.2	85.6
Switzerland	(SFr)	2.3910	+0.0065	894 - 925	2.4034	2.3890	2.378	6.5	2.3559	5.9	2.2607	5.4	108.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.7
Ecu	-	1.4977	+0.0049	967 - 986	1.5024	1.4965	1.4935	3.4	1.4861	3.1	1.4538	2.9	-
SDR†	-	1.23189	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6634	-0.0049	627 - 640	1.6697	1.6618	-	-	-	-	-	-	-
Brazil	(R$)	1.8542	-0.005	534 - 549	1.8605	1.8526	-	-	-	-	-	-	-
Canada	(C$)	2.3852	-0.0035	841 - 863	2.3941	2.3833	2.3794	2.9	2.3695	2.6	2.3362	2.1	82.2
Mexico	(New Peso)	13.4944	-0.086	853 - 034	13.5360	13.4842	13.6551	-14.3	13.9227	-12.7	15.0848	-11.8	-
USA	($)	1.6635	-0.0051	630 - 640	1.6707	1.6620	1.6613	1.6	1.6565	1.7	1.6375	1.6	108.7
Pacific/Middle East/Africa													
Australia	(A$)	2.5485	-0.0036	467 - 502	2.5642	2.5465	2.5431	2.6	2.5327	2.5	2.4931	2.2	85.0
Hong Kong	(HK$)	12.8925	-0.0388	878 - 972	12.9468	12.8805	12.892	0.0	12.9481	-1.7	13.3705	-3.7	-
India	(Rs)	65.1344	-0.2561	732 - 955	65.5750	65.0640	-	-	-	-	-	-	-
Israel	(Shk)	5.8848	-0.0078	745 - 947	5.8955	5.8737	-	-	-	-	-	-	-
Japan	(Y)	216.887	+1.894	739 - 036	217.910	215.400	215.677	7.2	213.092	7.0	202.242	6.8	118.2
Malaysia	(M$)	6.3384	-0.0438	285 - 482	6.4490	6.3264	6.3201	3.5	6.3252	0.8	6.4358	-1.5	-
New Zealand	(NZ$)	2.8728	+0.011	702 - 754	2.8870	2.8700	2.8768	-1.7	2.8814	-1.2	2.8982	-0.9	101.7
Philippines	(Peso)	66.7730	+1.249	697 - 762	67.9758	66.6809	67.9611	-21.4	68.9903	-13.3	76.803	-15.0	-
Saudi Arabia	(SR)	6.2390	-0.0191	363 - 417	6.2658	6.2342	6.2314	1.5	6.2158	1.5	6.1537	1.4	-
Singapore	(S$)	2.7855	-0.0027	830 - 880	2.8048	2.7825	2.7992	-5.9	2.8112	-3.7	2.8238	-1.4	-
South Africa	(R)	8.0763	-0.0354	714 - 812	8.1196	8.0710	8.1395	-9.4	8.2323	-7.7	8.6051	-6.5	-
South Korea	(Won)	2844.59	+216.6	373 - 544	2863.91	2636.23	-	-	-	-	-	-	-
Taiwan	(T$)	54.2534	+0.3091	205 - 863	54.3900	54.0511	54.1996	1.2	54.0809	1.3	53.5897	1.2	-
Thailand	(Bt)	78.2678	+1.348	779 - 576	78.4620	74.4710	78.7868	-8.0	79.2582	-5.1	81.5478	-4.2	-

† Rates for Dec 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.5264	+0.0821	242 - 285	12.5540	12.5140	12.5049	2.1	12.4649	2.0	12.3174	1.7	102.4
Belgium	(BFr)	36.7500	+0.245	300 - 700	36.7950	36.6700	36.6722	2.5	36.5545	2.1	36.065	1.9	102.1
Denmark	(DKr)	6.7837	+0.0436	827 - 847	6.7993	6.7704	6.7714	2.2	6.7516	1.9	6.6777	1.6	103.8
Finland	(FM)	5.3848	+0.0365	835 - 860	5.3935	5.3702	5.373	2.6	5.3541	2.3	5.2873	1.8	80.5
France	(FFr)	5.9582	+0.0317	575 - 588	5.9741	5.9458	5.9456	2.5	5.9263	2.1	5.8398	2.0	105.2
Germany	(DM)	1.7804	+0.0116	801 - 806	1.7845	1.7770	1.777	2.3	1.7709	2.1	1.7459	1.9	103.0
Greece	(Dr)	280.710	+2.35	490 - 930	280.990	278.810	284.06	-14.3	289.63	-12.7	311.195	-10.9	65.3
Ireland	(I£)	1.4512	-0.0079	502 - 522	1.4582	1.4502	1.4505	0.6	1.4505	0.2	1.4639	-0.9	-
Italy	(L)	1745.75	+9.4	500 - 650	1749.70	1743.55	1745.98	-0.2	1746.19	-0.1	1732.12	0.8	75.7
Luxembourg	(LFr)	36.7500	+0.245	300 - 700	36.7950	36.6700	36.6722	2.5	36.5545	2.1	36.065	1.9	102.1
Netherlands	(Fl)	2.0063	+0.0128	058 - 067	2.0105	2.0024	2.0017	2.8	1.995	2.2	1.9665	2.0	101.4
Norway	(NKr)	7.2901	+0.0397	900 - 902	7.3133	7.2743	7.2744	2.6	7.252	2.1	7.1786	1.5	97.8
Portugal	(Es)	182.040	+0.09	990 - 090	182.340	181.730	181.913	0.8	181.635	0.9	179.775	1.2	92.2
Spain	(Pta)	150.755	+0.705	740 - 770	150.940	150.490	150.621	1.1	150.375	1.0	148.77	1.3	76.6
Sweden	(SKr)	7.7777	+0.0304	752 - 802	7.8014	7.7725	7.7696	1.3	7.7573	1.0	7.7262	0.7	85.3
Switzerland	(SFr)	1.4373	+0.0082	368 - 378	1.4413	1.4349	1.4315	4.9	1.4221	4.2	1.3805	3.9	108.8
UK	(£)	1.6635	-0.0051	630 - 640	1.6707	1.6620	1.6613	1.6	1.6565	1.7	1.6375	1.6	104.3
Ecu	-	1.1108	-0.007	104 - 111	1.1125	1.1083	1.1124	-1.8	1.1148	-1.4	1.1264	-1.4	-
SDR†	-	0.736025	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0001	998 - 000	1.0000	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1146	+0.0003	145 - 147	1.1148	1.1144	-	-	-	-	-	-	-
Canada	(C$)	1.4339	+0.0023	336 - 341	1.4355	1.4321	1.4323	1.4	1.4304	1.0	1.4267	0.5	82.3
Mexico	(New Peso)	8.1120	-0.027	090 - 150	8.1300	8.1000	8.2185	-15.9	8.4045	-14.4	9.212	-13.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.9
Pacific/Middle East/Africa													
Australia	(A$)	1.5320	+0.0025	314 - 326	1.5348	1.5314	1.5312	0.6	1.5286	0.9	1.5179	0.9	85.2
Hong Kong	(HK$)	7.7502	+0.0002	497 - 507	7.7507	7.7497	7.7602	-1.5	7.8162	-3.4	8.1652	-5.4	-
India	(Rs)	39.1550	-0.035	300 - 800	39.2000	39.1250	-	-	-	-	-	-	-
Israel	(Shk)	3.5375	+0.006	325 - 425	3.5425	3.5320	-	-	-	-	-	-	-
Japan	(Y)	130.380	+1.41	330 - 430	130.740	129.150	129.765	5.7	128.635	5.4	123.505	5.3	120.4
Malaysia	(M$)	3.8103	-0.0147	055 - 150	3.8680	3.8050	3.8043	1.9	3.8183	-0.8	3.9303	-3.1	-
New Zealand	(NZ$)	1.7270	+0.0119	259 - 280	1.7280	1.7255	1.7301	-2.2	1.7355	-2.0	1.7543	-1.6	-
Philippines	(Peso)	40.1400	+0.87	900 - 900	40.9000	39.9000	40.9085	-23.0	41.6465	-15.0	46.902	-16.8	-
Saudi Arabia	(SR)	3.7505	-0.0001	500 - 510	3.7510	3.7500	3.7509	-0.1	3.7522	-0.2	3.758	-0.2	-
Singapore	(S$)	1.6745	+0.0035	735 - 755	1.6800	1.6730	1.685	-7.5	1.697	-5.4	1.7245	-3.0	-
South Africa	(R)	4.8550	-0.0065	535 - 565	4.8655	4.8535	4.8995	-11.0	4.9695	-9.4	5.255	-8.2	-
South Korea	(Won)	1710.00	+135	000 - 000	1718.00	1680.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.6140	+0.284	040 - 240	32.6240	32.4780	32.625	-0.4	32.6465	-0.4	32.7265	-0.3	-
Thailand	(Bt)	47.0500	+0.95	500 - 500	47.1500	44.7500	47.425	-9.6	47.845	-6.8	49.8	-5.8	-

† SDR rate per $ for Dec 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 19: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

December 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.17
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.17	5.39	5.50	5.65	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7½ - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1⅜ - ⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	6 - 5⅞	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	¾ - ½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	3 - 2½	8½ - 8	8¼ - 7¾	8 - 7½	8 - 7½	8 - 7½

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.24	96.25	-	96.25	96.24	11,473	55,334
Jun	96.13	96.14	-0.19	96.14	96.12	8,007	41,241
Sep	96.01	96.02	-0.25	96.04	96.00	5,273	29,751

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.26	96.23	-0.03	96.27	96.22	47619	381004
Jun	96.13	96.11	-0.02	96.18	96.09	38829	334222
Sep	96.00	95.99	-0.01	96.07	95.98	28544	247981
Dec	95.80	95.79	-	95.85	95.78	37710	204511

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan		96.42	-0.01			0	633
Feb		96.35	-0.01			0	133
Mar		96.29	-0.01			0	100
Apr		96.26	-0.01			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.80	94.73	-0.04	94.81	94.73	13713	152761
Jun	95.41	95.38	-	95.43	95.36	6334	128930
Sep	95.63	95.61	+0.01	95.65	95.60	4070	91148
Dec	95.64	95.60	-0.01	95.66	95.59	22446	61656

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.31	98.29	+0.01	98.33	98.27	4302	69974
Jun	98.18	98.14	-	98.19	98.14	1108	30612
Sep	98.06	98.01	-	98.06	98.01	166	16096
Dec	97.83	97.79	-	97.83	97.79	110	7929

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.19	99.17	-0.02	99.19	99.19	43	n/a
Jun	-	99.26	-0.04	-	-	0	n/a
Sep	-	99.28	-0.02	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.57	95.56	+0.02	95.57	95.54	747	9053
Jun	95.59	95.56	+0.01	95.59	95.55	141	8245
Sep	95.58	95.58	+0.04	95.59	95.57	312	8345
Dec	95.67	95.66	+0.04	95.68	95.65	276	3856

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9450	0.31	0.91	1.15	0.08	0.03	0.04
9475	0.15	0.68	0.92	0.17	0.05	0.06
9500	0.06	0.47	0.70	0.33	0.09	0.09

Est. vol. total, Calls 697 Puts 812. Previous day's open int., Calls 160566 Puts 52047

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.21	4.845	1.875	4750	5.459	19.84	495.3	410.2	21.16	3.911	1.636	3.902	2.721	354.8	2.450
Denmark	(DKr)	54.17	10	8.783	2.625	1.016	2573	2.958	10.75	268.3	222.2	11.47	2.119	0.886	2.114	1.474	192.2	1.327
France	(FFr)	61.68	11.39	10	2.988	1.157	2930	3.367	12.24	305.5	253.0	13.05	2.412	1.009	2.407	1.678	218.8	1.511
Germany	(DM)	20.64	3.810	3.347	1	0.387	980.5	1.127	4.095	102.2	84.67	4.369	0.807	0.338	0.805	0.562	73.23	0.506
Ireland	(I£)	53.33	9.845	8.647	2.584	1	2533	2.912	10.58	264.2	218.8	11.29	2.086	0.872	2.081	1.451	189.2	1.306
Italy	(L)	2.105	0.389	0.341	0.102	0.039	100	0.115	0.418	10.43	8.636	0.446	0.082	0.034	0.082	0.057	7.468	0.052
Netherlands	(Fl)	18.32	3.381	2.970	0.887	0.343	870.1	1	3.634	90.73	75.14	3.877	0.716	0.300	0.715	0.498	64.99	0.449
Norway	(NKr)	50.41	9.305	8.173	2.442	0.945	2395	2.752	10	249.7	206.8	10.67	1.972	0.825	1.967	1.372	178.8	1.235
Portugal	(Es)	20.19	3.726	3.273	0.978	0.379	959.0	1.102	4.005	100	82.81	4.273	0.790	0.330	0.788	0.549	71.62	0.495
Spain	(Pta)	24.38	4.500	3.952	1.181	0.457	1158	1.331	4.836	120.8	100	5.159	0.953	0.399	0.951	0.663	86.48	0.597
Sweden	(SKr)	47.25	8.722	7.661	2.289	0.886	2245	2.580	9.373	234.1	193.8	10	1.848	0.773	1.844	1.286	167.6	1.157
Switzerland	(SFr)	25.57	4.720	4.145	1.239	0.479	1215	1.396	5.072	126.7	104.9	5.411	1	0.418	0.998	0.696	90.71	0.626
UK	(£)	61.13	11.28	9.911	2.962	1.146	2904	3.337	12.13	302.8	250.8	12.94	2.391	1	2.385	1.664	216.9	1.498
Canada	(C$)	25.63	4.731	4.155	1.242	0.481	1217	1.399	5.084	127.0	105.1	5.424	1.002	0.419	1	0.697	90.93	0.628
USA	($)	36.75	6.784	5.958	1.780	0.689	1746	2.006	7.290	182.0	150.8	7.778	1.437	0.601	1.434	1	130.4	0.900
Japan	(Y)	28.19	5.203	4.570	1.366	0.529	1339	1.539	5.591	139.6	115.6	5.965	1.102	0.461	1.100	0.767	100	0.690
Ecu	-	40.82	7.535	6.618	1.978	0.765	1939	2.229	8.098	202.2	167.5	8.639	1.597	0.668	1.593	1.111	144.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5656	0.5643	-0.0022	0.5656	0.5638	16,144	65,546
Jun	0.5685	0.5666	-0.0027	0.5669	0.5665	2	4,399
Sep	-	0.5718	-	-	-	7	140

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7039	0.7025	-0.0021	0.7039	0.7006	15,284	37,375
Jun	0.7090	0.7090	-0.0026	0.7090	0.7086	41	1,441
Sep	-	0.7185	-	-	-	6	110

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7831	0.7764	-0.0070	0.7842	0.7738	18,895	88,398
Jun	0.7855	0.7860	-0.0082	0.7882	0.7855	5	1,665
Sep	-	0.8049	-	-	-	18	1,372

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6580	1.6580	-0.0054	1.6640	1.6566	9,905	32,864
Jun	-	1.6490	-0.0074	-	1.6490	3	1,318
Sep	-	1.6494	-	-	-	7	4

UK INTEREST RATES

LONDON MONEY RATES

Dec 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	-	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 month	6-9 month	9-12 month
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Dec 19, [illegible] pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 28, 1997. Agreed rate for period Dec 24, 1997 to Jan 26, 1998, Scheme III [illegible] pc. Reference rate for period Nov 1, 1997 to Nov 28, 1997, Schemes IV & V [illegible] pc. Finance House Base Rate [illegible] pc from Dec 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.45	92.43	-0.01	92.47	92.42	11626	140914
Jun	92.58	92.53	-0.02	92.57	92.52	10278	108358
Sep	92.73	92.69	-0.02	92.73	92.66	5532	92563
Dec	92.92	92.86	-0.04	92.92	92.85	3863	70862
Mar	93.14	93.06	-0.04	93.14	93.06	3201	65748

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9225	0.24	0.38	0.58	0.05	0.10	0.13
9250	0.08	0.21	0.38	0.15	0.18	0.20
9275	0.02	0.10	0.23	0.34	0.32	0.30

Est. vol. total, Calls 601 Puts 445. Previous day's open int., Calls 167314 Puts 151087

EMS EUROPEAN CURRENCY UNIT RATES

Dec 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.796709	0.762869	-0.003769	-4.49	7.54	30
Italy	1906.48	1938.50	-0.05	1.68	1.02	-12
Finland	5.85424	5.97985	+0.00594	2.15	0.56	-14
Spain	163.826	167.359	+0.103	2.16	0.55	-15
Portugal	197.398	202.185	+0.06	2.41	0.29	-16
France	6.45883	6.61827	+0.0021	2.47	0.24	-21
Denmark	7.34555	7.53417	+0.00468	2.57	0.14	-18
Austria	13.5485	13.9111	+0.0108	2.68	0.04	-26
Germany	1.92573	1.97716	+0.00134	2.67	0.04	-26
Netherlands	2.16979	2.22802	+0.00131	2.68	0.03	-26
Belgium	39.7191	40.7868	+0.0272	2.71	0.00	-26
NON ERM MEMBERS						
Greece	295.269	311.308	+0.213	5.43	-2.58	-
UK	0.793103	0.666056	-0.001936	-16.02	22.31	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.650	2.08	2.66	3.48	1.55	2.03	2.39
1.670	1.59	2.23	2.96	2.06	2.51	2.87
1.680	1.18	1.82	-	2.61	3.01	3.46

Previous day's vol., Calls 4,183 Puts 140. Prev. day's open int., Calls 24,016 Puts 21,409

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.560	0.82	1.23	1.49	0.41	0.65	0.82
0.565	0.63	0.95	1.21	0.63	0.87	1.05
0.570	0.42	0.72	0.97	0.52	1.16	1.31

Previous day's vol., Calls 21 Puts 771. Prev. day's open int., Calls 8,614 Puts 18,627

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.21	94.21	+0.02	94.22	94.20	103,235	489,007
Jun	94.20	94.20	+0.01	94.22	94.20	92,863	394,440
Sep	94.19	94.17	-	94.19	94.17	43,042	256,696

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.95	94.95	-0.05	94.98	94.95	2,120	8,237
Jun	94.94	94.95	-0.03	94.96	94.94	114	1,270
Sep	94.90	94.90	-0.08	94.90	94.90	8	29

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS	CALLS	CALLS	CALLS	PUTS	PUTS	PUTS	PUTS
9600	0.24	0.25	0.26	0.22	0.01	0.02	0.03	0.11
9625	0.05	0.05	0.07	0.10	0.07	0.09	0.10	0.24
9650	0.01	0.01	0.02	0.04	0.28	0.29	0.29	0.43
9675	0	0.01	0.01	0.01	0.52	0.53	0.53	0.71

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9825	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

BASE LENDING RATES

	%		%
Adam & Company	7.25	Exeter Trust Limited	8.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00
•Henry Ansbacher	7.25	•Robert Fleming & Co	7.25
Banco Bilbao Vizcaya	7.25	Girobank	7.25
Bank of Cyprus	7.25	•Guinness Mahon	7.25
Bank of Ireland	7.25	Habib Bank AG Zurich	7.25
Bank of India	7.25	•Hambros Bank	7.25
Bank of Scotland	7.25	Heritable & Gen Inv Bk	7.25
Barclays Bank	7.25	C. Hoare & Co	7.25
Brit Bk of Mid East	7.25	Hongkong & Shanghai	7.25
•Brown Shipley & Co Ltd	7.25	Investec Bank (UK) Ltd	7.25
Citibank NA	7.25	Julian Hodge Bank	7.25
Clydesdale Bank	7.25	•Leopold Joseph & Sons	7.25
The Co-operative Bank	7.25	Lloyds Bank	7.25
Coutts & Co	7.25	Midland Bank	7.25
Cyprus Popular Bank	7.25	NatWestminster	7.25
Duncan Lawrie	7.25	•Rea Brothers	7.25
		Royal Bk of Scotland	7.25
		Scottish Widows Bank	7.25
•Singer & Friedlander	7.25		
•Smith & Williamson	7.25		
Sun Banking Corp Ltd	7.25		
TSB	7.25		
United Bank of Kuwait	7.25		
Unity Trust Bank Plc	7.25		
Whiteaway Laidlaw	7.25		
Yorkshire Bank	7.25		

• Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Macedonia doubles Oriental tobacco output

By Kerin Hope in Athens

Macedonia has doubled output of Oriental tobacco to 25,000 tonnes this year after the government opened the tobacco sector to foreign investment.

In the past year, the cash-strapped former Yugoslav republic has sold three tobacco processing plants to Greek and US investors. The ex-communist Social Democrat government had offered 16 for privatisation.

"More than 40,000 Macedonian families are involved with tobacco production," said Kiro Dokuzovski, Macedonia's agriculture minister. "Given our situation of high unemployment, it is very important to raise output."

The government has ended the monopoly of the tobacco market held by Makedonija Tabak, a debt-burdened state trading group, and has liberalised producer prices. It has also agreed to permit the introduction of new Virginia tobacco varieties for cultivation in southern Macedonia, where most tobacco is grown.

"This country grows very good quality tobacco," said Alexandros Michailides, chief executive of A. Michailides Leaf Tobacco, the leading European processor. "There is plenty of room to increase production of Oriental tobacco and, in some areas, to grow Virginia as well."

A. Michailides, based in northern Greece, is the biggest foreign investor to date. After paying DM4.65m ($2.6m) last year to acquire 82 per cent of Strumitsa Tabak, a processor in south-eastern Macedonia, the Greek company invested DM4m in building a new processing unit and tobacco-curing installations at Strumitsa.

Socotab, the US processor which sells Oriental tobacco to Philip Morris, the US cigarette manufacturer, has paid DM1.05m for a 51.4 per cent stake in Jugotutun, a processor in south-west Macedonia. Attik, another Greek tobacco processor, has agreed to buy 59.1 per cent of Jugotutun-Sloga, a small processing plant near Prilep.

Under communism, tobacco was Macedonia's highest-earning export crop, bringing in more than $60m a year. The sector was dominated by small private farmers who sold their output exclusively to Makedonija Tabak, which handled sales to local processors and exports to the US, eastern Europe and the former Soviet Union.

Macedonia's production of aromatic Oriental tobacco averaged more than 30,000 tonnes a year in the late 1980s. Like other Oriental tobaccos grown in the Balkans, the Prilep and Yaka varieties from Macedonia are mixed with Virginia and Burley tobaccos to produce American blend cigarettes.

Tobacco output dropped to 12,000 tonnes last year after Macedonia's Agriculture Ministry abolished the special subsidies paid to Makedonija Tabak, under the terms of an economic stabilisation plan agreed with the International Monetary Fund.

Many Macedonian farmers had already switched from tobacco-growing to subsistence crops because of long delays in payment by Makedonija Tabak.

Phibro fears hit cocoa prices

MARKETS REPORT

By Gary Mead and Kenneth Gooding

Speculation that Phibro, one of the world's leading commodity trading firms, could close some of its operations following the the takeover of its parent company, Salomon Brothers, by Travelers Group, dented cocoa futures yesterday. Phibro is believed to control as much as 40 per cent – perhaps 500,000 tonnes – of the world's total consumer stocks of cocoa, held in warehouses and hedged against the futures market in London and New York.

On the London International Financial Futures Exchange the March contract for cocoa was £45 down by the close of trading, at £1,049 a tonne, while on the Coffee, Sugar and Cocoa Exchange in New York the March contract was even weaker by midday, $60 down at $1,625 a tonne.

News of Iraq's imminent resumption of oil exports depressed the world benchmark for crude oil: in later trading on the International Petroleum Exchange in London, Brent for February was 13 cents lower at $17.40 a barrel.

Zinc prices fell to an 11-month low on the London Metal Exchange. Traders said investment fund and trade selling was responsible. Three-month zinc touched $1,103 a tonne at one point but recovered to close at $1,110, down $25 a tonne.

Aluminium closed $13 a tonne lower at $1,531 after fairly neutral statistics from the International Primary Aluminium Institute. Overnight buying in east Asia helped gold, which closed $3.50 an ounce higher at $291.05 in London.

Asian turmoil hits De Beers

By Kenneth Gooding, Mining Correspondent

De Beers, the South African group that dominates world trade in rough or uncut diamonds, yesterday reported a sharp drop in sales following a collapse in confidence caused by the upheavals in south-east Asia and continued recession in Japan.

Asian turmoil began to make an impact in the second half – De Beers' London-based Central Selling Organisation reported in August record sales of $2.88bn for the first six months. However, sales in the second half fell 16 per cent to $1.76bn, leaving the full year total at $4.64bn, compared with the record $4.834bn in 1996.

Gary Ralfe, who becomes De Beers' managing director next month, said that at each of the CSO "sights", or sales, in February and March a record $650m of diamonds had been sold to traders. However, in each of the last three months sights had been cut to $300m. These cuts would continue "well into 1998", he said, as the CSO performed its traditional role of attempting to stabilise the market at times of poor demand by stockpiling rough diamonds.

By holding back sales, the CSO hoped diamond traders would be able to cut stocks without reducing prices.

Mr Ralfe said De Beers was also assuring diamond bankers there would be no liquidity crisis.

Demand for polished diamonds in south-east Asia, which last year accounted for 17 per cent of the global market, had virtually dried up. Retail diamond jewellery sales in Japan – which, with with 25 per cent of world sales, is the second largest market, behind the US – fell 20 per cent because of a lack of consumer confidence and the weakness of the yen against the dollar.

The CSO had no intention of cutting prices of rough diamonds but producers, including De Beers itself, might have to reduce the quantity of gems delivered to the CSO.

Mr Ralfe said retail diamond jewellery sales in the US, which accounts for 35 per cent of world demand, would show an increase of about 10 per cent this year compared with 1996.

There had been a substantial fall in "unofficial" rough diamond exports from Russia and Angola this year, enabling the CSO to take a 70 per cent share of the rough market.

Fur trade flies in the face of adversity

An endorsement by the US version of Vogue magazine is always useful for a commodity, particularly one that has taken as much flak in recent years as fur. According to a recent edition of the fashion magazine, fur is this winter's number one accessory.

However, the international fur trade is robust enough to withstand the vagaries of not only fashion but also finance. The downturn in east Asia – a region that is now one of the biggest consumers of fur clothing and accessories – has forced prices down by as much as 20 per cent at the Copenhagen Fur Centre's recent auction.

The absence of wholesale buyers from Japan, South Korea and Hong Kong depressed sales, but the global fur trade is nevertheless steadily expanding. "It's a very unpredictable business, but we will survive what's now happening in the Far East," said one trader at the centre.

Some 400 buyers attend each of the 10 sales held annually in Copenhagen and Helsinki – Europe's leading auction centres – to bid mainly for farmed mink and fox pelts.

Scandinavia now accounts for 62 per cent of world production of mink and 72 per cent of fox.

Annual world mink production is now about 26m pelts; for fox, the figure is about 3.5m pelts. A typical mink coat requires about 50 skins, while a fox fur coat normally uses six.

The biggest changes in the fur business in recent years have been in Russia – which has moved from being a small exporter to a big importer – and in China, where demand is surging.

"In the Soviet era, Russia produced about 12m mink pelts annually; now it's down to about 3.5m," says Tom Steifel-Kristensen, media relations manager with Saga Furs, the marketing organisation of the Danish, Finnish, Norwegian and Swedish Fur Associations.

"The former state-run fur industry has declined badly, but Russian demand for fur items is as high as ever. In China in the last four years there has been a dramatic expansion in demand, especially for fur trims."

Gary Mead

In the mink: prices have recovered from the recession

Some $1.1bn of business is done annually at the Finnish and Danish four-day fur auctions, with between 80 and 100 buyers from China regularly in attendance.

China made an unsuccessful foray into farming mink in the early 1980s, achieving annual production of about 6m pelts.

However, a combination of factors – such as the two-year cycle from breeding to finished product, and the specialised nature of the farming techniques – defeated Chinese efforts; the country now produces 500,000 pelts a year.

Auction prices in Copenhagen have fallen significantly since 1987. Then, mink farmers were getting about DKr300 ($44.50) for each mink pelt; the global recession that followed saw prices slump to DKr106 five years ago.

Today, when Danish mink farmers generally regard DKr100 a pelt as a typical break-even point, the business has recently been looking healthy again.

In Copenhagen's September auction, prices for top-quality mink were above DKr400. Even the latest setback – which brought prices down to around DKr300 in the mid-December auction – will see few, if any, bankruptcies among Scandinavia's fur farmers.

The fundamental reason for that is because the international fur trade has today achieved a greater equilibrium than in the late 1980s, when high auction prices encouraged over-production, which reached as high as 44m mink towards the end of the decade.

World demand for mink in 1996 was 21.9m pelts, and 3m pelts for fox.

"The atmosphere for fur in Europe and the US [North America accounts for 13 per cent of world demand for mink, about 3.5m pelts] is now very favourable. We are subject to a bit of stock market hysteria, as it is a very global business," says Pirkko Rantanen-Kervinen, managing director of Finnish Fur Sales. "And fur's longevity is clearly a risk. But the average age of the people buying fur has gone down from the mid-40s to mid-30s. It's no longer just about status."

Gary Mead

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1506-7	1534-5
Previous	1514-15	1540-41
High/low		1545/1530
AM Official	1517-18	1542-43
Kerb close		1532-3
Open int.	264,920	
Total daily turnover	70,331	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1370-80	1395-400
Previous	1380-90	1400-10
High/low		1409/1395
AM Official	1385-90	1409-10
Kerb close		1395/400
Open int.	5,680	
Total daily turnover	1,094	

■ LEAD ($ per tonne)

Close	530-2	539-41
Previous	542.5-3.5	552-3
High/low		550/536
AM Official	532-2.5	542-3
Kerb close		538-9
Open int.	33,599	
Total daily turnover	15,177	

■ NICKEL ($ per tonne)

Close	5905-15	6000-10
Previous	5875-85	5970-75
High/low		5965/5940
AM Official	5890-95	5985-90
Kerb close		6000-16
Open int.	59,929	
Total daily turnover	19,553	

■ TIN ($ per tonne)

Close	5335-45	5320-25
Previous	5350-60	5305-10
High/low		5350/5320
AM Official	5340-50	5310-20
Kerb close		5330-35
Open int.	15,147	
Total daily turnover	2,056	

■ ZINC, special high grade ($ per tonne)

Close	1087.5-8.5	1113-5
Previous	1119-20	1142-43
High/low		1142/1103
AM Official	1079-80	1103.5-04
Kerb close		1110-11
Open int.	83,435	
Total daily turnover	31,078	

■ COPPER, grade A ($ per tonne)

Close	1752-3	1781-2
Previous	1746-47	1776-77
High/low		1783/1777
AM Official	1750-50.5	1780-81
Kerb close		1782-3
Open int.	153,218	
Total daily turnover	48,134	

■ LME AM Official £/$ rate: 1.6680
LME Closing £/$ rate: 1.6635

Spot: 1.6623 3 mths: 1.6554 6 mths: 1.6488 9 mths: 1.6423

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	79.40	-0.10	79.80	79.35	835	1,185
Jan	79.70	-0.20	80.00	79.65	228	3,510
Feb	80.30	-0.15	80.40	80.25	134	2,098
Mar	80.85	-0.15	81.25	80.65	4,236	34,984
Apr	81.40	-0.10	81.40	81.30	79	1,510
May	81.75	-0.20	82.10	81.70	183	5,065
Total					6,169	80,120

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	291.20-291.70		
Opening	289.80-290.20		
Morning fix	290.45	174.183	417.173
Afternoon fix	290.45	174.518	417.493
Day's High	291.20-291.60		
Day's Low	289.80-290.20		
Previous close	288.30-288.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.09	6 months	4.09
2 months	4.09	12 months	4.09
3 months	4.09		

Silver Fix	p/troy oz.	US cts equiv.
Spot	363.75	605.50
3 months	366.20	607.00
6 months	365.90	603.95
1 year	365.80	599.35
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	287.5-290.5	173.5-175.5
Maple Leaf	-	-
New Sovereign	66-69	39.5-41.5

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	291.1	+1.6	291.8	291.0	85	175
Jan	291.6	+1.6	-	-	-	2
Feb	292.7	+1.6	293.7	291.0	19,759	98,132
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS IPE [illegible]

Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE
NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	81.35	-0.15	81.35	81.00	47	391
Mar	83.90	-0.10	83.75	83.50	60	3,011
May	85.90	-0.10	85.50	85.50	84	3,771
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PULP AND PAPER

■ PULPEX OMLX (US$: 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1024	-43	1052	1033	355	636
Mar	1049	-45	1090	1047	7,252	70,853
May	1072	-44	1106	1070	1,825	25,515
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ COFFEE LIFFE ($ tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

		Prev. day
[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

[illegible]	[illegible]	[illegible]	[illegible]

■ CRB Futures (Base: 1967 = 100)

[illegible]	[illegible]	[illegible]	[illegible]

■ GSCI Spot (Base: 1970 = 100)

[illegible]	[illegible]	[illegible]	[illegible]

■ LME WAREHOUSE STOCKS (tonnes)

Aluminium	[illegible]	[illegible]
Aluminium alloy	[illegible]	[illegible]
Copper	[illegible]	[illegible]
Lead	[illegible]	[illegible]
Nickel	[illegible]	[illegible]
Zinc	[illegible]	[illegible]
Tin	[illegible]	[illegible]

Minor metals from Metal Bulletin [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	66.750	+0.175	67.050	66.700	1,295	2,586
Feb	65.925	+0.175	66.300	65.675	7,897	48,427
Apr	68.675	-0.125	69.300	68.550	4,150	28,195
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne – Calls – – Puts –

■ ALUMINIUM (99.7%) LME		Jan	Apr	Jan	Apr
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
■ COPPER (Grade A) LME		Jan	Apr	Jan	Apr
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
■ COFFEE LIFFE		Jan	Mar	Jan	Mar
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
■ COCOA LIFFE		Mar	May	Mar	May
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
■ BRENT CRUDE IPE		Feb	Mar	Feb	Mar
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

Dubai	[illegible]	[illegible]
Brent Blend (dated)	[illegible]	[illegible]
Brent Blend (Feb)	[illegible]	[illegible]
W.T.I.	[illegible]	[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	[illegible]	[illegible]
Gas Oil	[illegible]	[illegible]
Heavy Fuel Oil	[illegible]	[illegible]
Naphtha	[illegible]	[illegible]
Jet fuel	[illegible]	[illegible]
Diesel	[illegible]	[illegible]

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	[illegible]	[illegible]

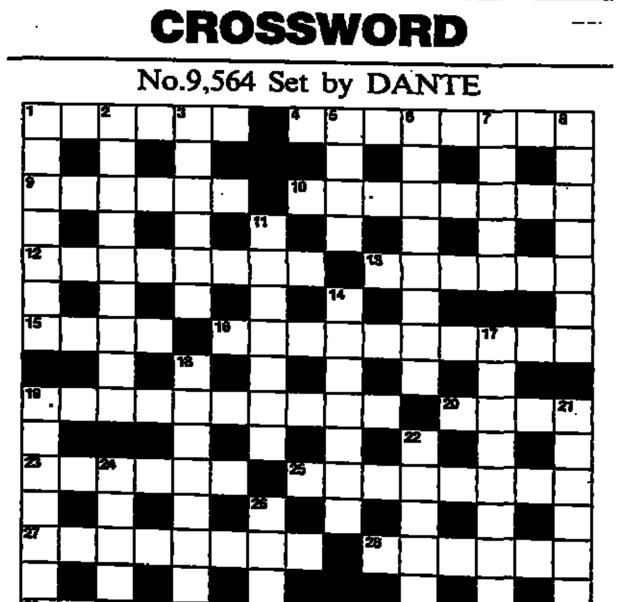
■ OTHER

Gold (per troy oz)	[illegible]	[illegible]
Silver (per troy oz)	[illegible]	[illegible]
Platinum (per troy oz.)	[illegible]	[illegible]
Palladium (per troy oz.)	[illegible]	[illegible]
Copper	[illegible]	[illegible]
Lead (US prod.)	[illegible]	[illegible]
Tin (Kuala Lumpur)	[illegible]	[illegible]
Tin (New York)	[illegible]	[illegible]
Cattle (live weight)	[illegible]	[illegible]
Sheep (live weight)	[illegible]	[illegible]
Pigs (live weight)	[illegible]	[illegible]
Lon. day sugar (raw)	[illegible]	[illegible]
Lon. day sugar (wte)	[illegible]	[illegible]
Barley (Eng. feed)	[illegible]	[illegible]
Maize (US No3 Yellow)	[illegible]	[illegible]
Wheat (US Dark North)	[illegible]	[illegible]
Rubber (Dec)	[illegible]	[illegible]
Rubber (Jan)	[illegible]	[illegible]
Rubber (KL RSS No1)	[illegible]	[illegible]
Coconut Oil (Phil)	[illegible]	[illegible]
Palm Oil (Malay.)	[illegible]	[illegible]
Copra (Phil)	[illegible]	[illegible]
Soyabeans (US)	[illegible]	[illegible]
Cotton Outlook 'A' Index	[illegible]	[illegible]
Wooltops (64s Super)	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.9,564 Set by DANTE



ACROSS

1 Anguish descriptive of Scrooge losing a pound (6)
4 Convene and call into action (6,2)
9 The kind of power often sought by detectives (6)
10 It shows the way to finish correspondence (8)
12 Angry about sails that get wet (8)
13 The look and smell of a summer-house? (6)
15 Sounds so ill (4)
16 Resistance at work-place (10)
19 Place might turn out to be dull and lifeless (10)
20 Lies about in the water (4)
23 Fat, so pull everything in (6)
25 Embark – on an explanation (3,5)
27 The rest of the players (4-4)
28 Resort of a hundred girls (6)
29 The shot that comes off (8)
30 Sends away for books (6)

DOWN

1 Well preserved Egyptian parents (7)
2 Critical of racialist broadcast (9)
3 Plunder and desecrate a grave (6)
5 University can come up to an accepted standard (4)
6 An orange tongue (8)
7 Loop-line quickly going north, then east (5)
8 Recorded snub (3,4)
11 Allow no opening for a substitute (7)
14 Perfectly good chaps who are still on probation (7)
17 Protection money? (9)
18 Not knowing what to believe and acting so strangely (8)
19 US sportsman in jug (7)
21 Record he's written to us shows where Paul visited (7)
22 A very noisy bearing causes concern (6)
24 I ring up about a shrub (5)
26 Watch about a thousand duck (4)

Solution to the Christmas Crossword on Saturday January 3.
Solution to yesterday's prize puzzle on Monday January 5.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Fwd Access 0800 414181 Jersey 01534 71696
Private Client 0800 414161 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Selling Price	+or-	Yield Gr's
A$ Accum	A$32.140	+0.010	3.70
C$ Accum	C$16.182	+0.007	2.90
DM Accum	DM30.227	+0.015	2.40
Dfl Accum	Dfl32.372	+0.009	2.20
ECU Accum	Ecu13.977	+0.008	3.20
FFr Accum	FFr88.729	+0.020	2.90
HK$ Accum	HK$125.71	+0.08	5.10
Lire Accum	L26510	+17	5.20
NZ$ Accum	NZ$43.048	+0.027	6.80
£ Accum	£13.983	+0.011	6.30
SFr Accum	SFr20.507		0.10
US$ Accum	$24.763	+0.015	4.70
Yen Accum	Y2093.5	—	0.10

Prices for dealing December 22

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 441 292 2780

Newport Investment Management

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Saracin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

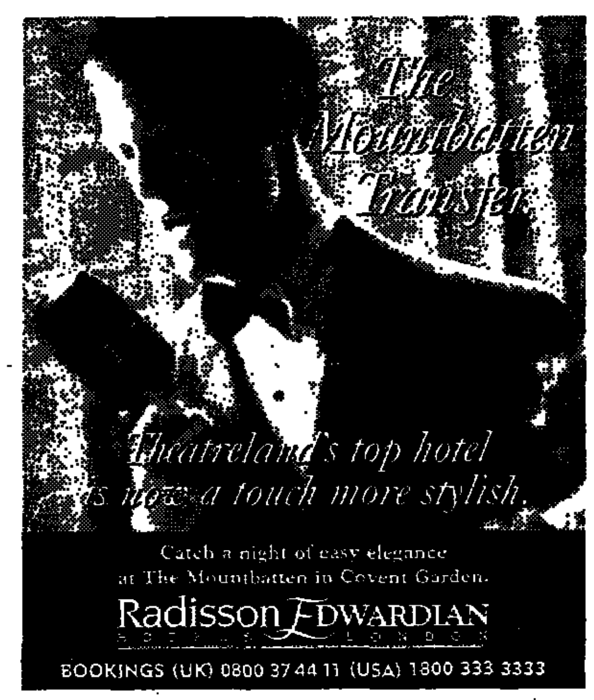
ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)



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BAE Asset Management Ltd
10 Piccadilly, London W1V 0EE 0171 734 3700

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Intermarket NAV Nov 28 F			$976.01		+0.66	-

Bank Von Ernst & Cie AG
Marktgasse 63/65, 3001 Berne, Switzerland 0041 313291111

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
UK Equity			£17.56		-0.43	-
UK Smaller Co's Eqty			£27.47		+0.09	-
Nth American Equity			$17.45		-0.21	-
US Smaller Co's Eqty			$25.79		-0.10	-
Pacific Basin Equity			$19.50		-0.22	-
Japanese Equity			Y458		-10	-
European Equity			DM18.69		-0.32	-
Swiss Equity			SFr18.61		-0.38	-
Sterling Fixed Int			£16.24		+0.01	-
Sterling Fixed Int Dis			£10.30		+0.01	-
European Fixed Int			DM14.85		+0.04	-
European Fixed Int Dis			DM9.43		+0.02	-
DM Bond Cap			DM13.2		+0.02	-
DM Short Term Cap			DM18.27		+0.01	-
Global Equity			$16.41		-0.26	-
Global Bond			$13.83		+0.03	-
Global Bond Dis			$9.39		+0.02	-
Global Managed			DM22.6		-0.27	-
Swiss Franc Short Term Dis			SFr9.63		—	-
Swiss Franc Short Term Cap			SFr9.83		—	-
Swiss Franc Bonds Dis			SFr10.38		—	-
Swiss Franc Bonds Cap			SFr18.29		+0.01	-

Frontrunner I (x)
672 rue de Neudorf, Luxembourg 00 352 43687330

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Value Fd			Ecu184.6		—	-
Global Bond Fd			DM181.04		—	-
Global Bond Fd			$DM158.61		—	-
Sterling Bond Fd			£204.22		—	-
Danish Bond Fd			DKr180.77		—	-
Swedish Bond Fd		3	SKr135.5		—	-
German Bond Fd			DM108.45		—	-
Dollar Bond Fd		3	$184.78		—	-
Scandinavian Value Fd			Ecu272.41		—	-
Far East Value Fd			$57.91		—	-
North American Value Fd		5	$111.78		—	-
Danish Kroner Reserve			DKr112.35		—	-
Swedish Kroner Reserve			SKr118.38		—	-
German Mark Reserve			DM109.11		—	-
US Dollar Reserve		3	$103.11		—	-
ECU Reserve			Ecu112.39		—	-
Norwegian Kroner Reserve			NKr101.74		—	-
Capital 2/1998		3	DM122.18		—	-
Bonds 2/1998		3	DM183.97		—	-
Bonds 2/1999			DM102.98		—	-
Danish Mortgage Bond Fd			DKr105.07		—	-
Danish Long Bond Fd		3	DKr108.36		—	-
Danish Equity Fd			DKr101.69		—	-
Swedish Equity Fd		5	SKr98.08		—	-
Norwegian Equity Fd		5	NKr96.75		—	-
European Equity Fd		5	Ecu100.61		—	-

Morgan Stanley Sicav - Contd.

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Bd A			Ecu19.89			
European Bd B			Ecu19.83			
European Bd I			Ecu19.98			
Global Bond A			$18.70			
Global Bond B			$18.57			
Global Bond I			$18.77			
Nth American Bd A			$13.88			
Nth American Bd B			$13.82			
Nth American Bd I			$14.01			
US High Yield Bd A			$18.88			
US High Yield Bd B			$18.78			
US High Yield Bd I			$18.98			
Real Yield A			$14.13			
Real Yield I			$14.18			
International Small Cap A			Ecu12.64			
International Small Cap B						
International Sm Cap I			Ecu12.70			
US Small Cap Equity A			$18.40			
US Small Cap Equity B			$18.32			
US Small Cap Equity I			$18.41			
US Value Equity A			$17.67			
US Value Equity B			$17.59			
US Value Equity I			$17.69			
Latin American A			$14.17			
Latin American B			$14.11			
Latin American I			$14.25			
Short Maturity Euro Bd A			Ecu13.12			

LUXEMBOURG (REGULATED)(**)

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£23¼	...	£27⅞	£21⅝	–	3.0	♦
Barlow	§	£5⅛		£8	£5	–	3.1	♦
Gold Flds Prop R		120½	+½	187	119	–	6.7	10.0
SA Brews	†	£14⅞xd	+⅛	£23	£13¾	–	2.5	–
Standard Bank		£25¼		£38	£22	–	2.1	–
Tiger Oats		811xd	–19	1100	790	–	2.4	♦
Tongaat-Hulett		749½xd	+2½	780	719½	–	2.4	♦

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		£5200xd	...	£52300	£472	–	–	–

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for these particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend states appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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LONDON STOCK EXCHANGE

Shares ease in quiet pre-Christmas trading

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

Dealers in London's equity market expressed relief with Wall Street's substantial rally on Friday evening when the Dow Jones Industrial Average fought back from an early 270-point slide to finish only 90 points lower.

That news was comforting enough to head off a further slide in UK shares at the outset, despite further falls in far eastern stock markets, which saw Tokyo retreat another 3.4 per cent and Hong Kong down 2.2 per cent.

But with the big institutions increasingly reluctant to get involved in any significant alterations to their portfolios so close to the year-end, there was precious little genuine investment activity, as witnessed by the poor turnover figure.

At the 6pm cut-off point, turnover was 642m shares.

The trading session finished with the FTSE 100 index marginally easier and down 2.0 at 5,018.2 after a day of more limited swings in either direction than has been the case recently.

The second line and smaller stocks, however, were always looking vulnerable, with marketmakers noting an almost complete absence of buying interest outside the front-line stocks. "If the institutions are reluctant to get involved in the leaders, then they are clearly not going to trade the smaller stocks. They will be moribund until the market gets back into full swing," he said.

The FTSE 250 closed 3.3 off at 4,701.8 while the FTSE SmallCap index dipped 2.8 to 2,292.3.

Wall Street gave London a decent push at the outset of trading in New York when the Dow Jones Industrial Average posted a 50-point gain within minutes of the opening.

But US stocks lost some of their early gains and London dealers had to cope with a sudden flurry of programme trade activity, said to have been weighted on the sell side. The leading London shares duly drifted back.

"I doubt very much if there will be any aggressive position taking tomorrow (Tuesday) and there most certainly won't be any real commercial business on Wednesday, so we've effectively finished today," said the head salesman at one big UK house.

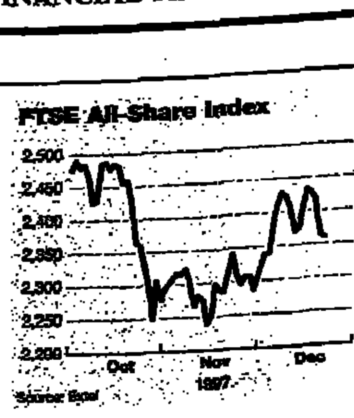
The day's economic news, showing a slight downward revision of third-quarter gross domestic product, came as no surprise to the gilts market, and had little impact on markets generally.

Sentiment in London was given a boost by news of more takeover action, once again among the smaller stocks, where shares in Care First, one of the nursing home companies, raced higher in the wake of the agreed offer from BUPA. Home Counties Newspapers shares almost doubled after the bid from Johnstone Press.

Meanwhile, the best performers in the FTSE 100 constituents came from some of the recent fading bid stocks, such as Legal & General and Bank of Scotland.

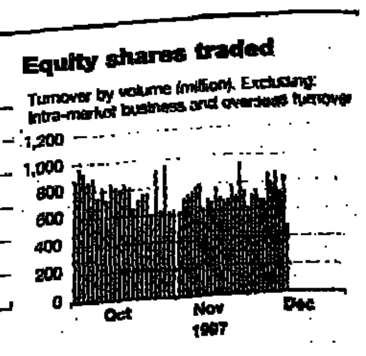
There was little respite, however, for the high street retailers which were given another rough time after widespread press comment about a disappointing pre-Christmas run-up.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Indices and ratios

FTSE 100	5018.2	-2.0
FTSE 250	4701.8	-3.3
FTSE 350	2415.5	-1.1
FTSE All-Share	2360.10	-1.18
FTSE All-Share yield	3.30	3.30
FT 30	3225.50	-3.2
FTSE Non-Fins p/e	19.64	19.66
FTSE 100 Fut Mar	5055.0	+16.5
10 yr Gilt yield	6.34	6.32
Long gilt/equity yld ratio	1.93	1.93

Best performing sectors

1 Extractive Inds ... +1.6
2 Engineering: Vehicles ... +1.5
3 Pharmaceuticals ... +1.2
4 Water ... +1.0
5 Building Matls ... +0.6

Worst performing sectors

1 Electronic & Elect Equip ... -1.8
2 Retailers: General ... -1.2
3 Tobacco ... -0.9
4 Breweries: Pubs ... -0.8
5 Diversified Inds ... -0.8

Biotech weakness continues

The biotechnology sub-sector came under pressure after the latest news from Scotia Holdings spilled over into rival stocks.

Scotia lost almost 17 per cent of its value as it fell 52½p to 265p in continued reaction to news late on Friday that the Medicines Control Agency had rejected an appeal over approval of Tarabetic, the diabetic neuropathy treatment. The stock has declined 45 per cent over the past three months.

Biocompatibles and Chiroscience were among the biggest fallers in London in percentage terms. Biocompatibles slipped 20 to 457½p as it continued to suffer from disappointment that a deal with Johnson & Johnson of the US has failed to materialise, while Chiroscience dropped 18 to 216p.

Care First lifted 17¼ to 169¼p after the healthcare company agreed a recommended increased cash offer from Bupa. The increased offer values each Care First share at 170p and the company at approximately £273m.

Turnover of 60m shares by the close suggested Bupa had been buying heavily in the market.

Waste slides

Waste Management slid 11 to 182½p. The company said it expects to record an exceptional charge in the fourth quarter of 1997 that will be "material to its results of operations". It could give no figure for the charge but said it expected to give details with its annual results in early February.

Shares in National Express firmed 3¼ to 627½p. The stock is viewed by many as part of the bus sub-sector which has under-performed the general market. However broker Robert Fleming believes that will change in the coming year.

A note on the bus sector from analyst Stephen Clapham, which suggests a new benchmark called the Clapham Omnibus Index, cites several reasons for the sector to outperform.

In particular, earnings estimates elsewhere in the market are likely to be dragged down by the problems in Asia, strong sterling and import substitution.

The broker also believes: "The (transport) white paper is unlikely to cause significant damage to the earnings power of the bus companies, as the government seeks to promote public transport and discourage use of the car."

Other stocks in the sub-sector include FirstBus, where the shares eased to 209½p, Arriva, a penny lighter at 338p, and Stagecoach, unchanged on the day at 807½p, with Robert Fleming indicating it believes the stock to be "up with events."

Shell gained 4¼ to 424½p following approval of its refining link-up with Texaco. However, Royal Dutch Shell declined to comment on reports that it is talking to South Korea's Hanwha about buying Hanwha Energy.

Hanwha said: "Shell is one of the major oil companies that we are talking to for the sale of Hanwha Energy."

The shares hardened 4 to 329p while those of Asda Group, rumoured to be Safeway's suitor, hardened to 178p.

Brent International, the speciality chemicals group heavily involved in retail packaging, gained 2 to 103½p on the back of takeover speculation in the sector.

But the rise was restrained by a growing belief that the consumer boom is over. Sutherlands has moved its stance from "buy" to "hold" and slashed its 1998 profit forecast from £12.5m to £9m.

Home Counties Newspapers jumped 235 to 475p as Johnston Press made a recommended bid of 500p a share.

The offer, which values Home Counties' ordinary share capital at about £52m on a fully diluted basis, will include a partial share alternative giving Home Counties shareholders the opportunity to receive Johnston Press shares, an additional share election and a loan note alternative.

Johnston Press eased 4 to 206½p.

Retailer gloom

Negative weekend press reports on the retailers only served to increase the gloom that has surrounded the sector since it emerged that the run-up to Christmas was proving difficult.

The losers yesterday included Kingfisher, which gave up 18 to 825p, Boots, 15 lighter at 866p, and Great Universal Stores, which fell 14 to 722p. Marks and Spencer was also unloved, falling 7 to 576p.

Among food retailers, rumours that Safeway will soon be on the receiving end of a bid continued to circulate late and helped boost the stock.

FTSE GOLD MINES INDEX

	Dec 19	% chg on day	Dec 18	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1006.68	-1.6	1023.67	1646.84	2.75	-	1667.49	903.02
Regional Indices								
Africa (15)	1074.56	+1.1	1062.88	2125.29	6.53	19.08	2333.56	921.78
Australasia (6)	1023.74	-0.7	1030.54	2116.35	3.53	13.36	2217.60	933.63
North America (12)	997.15	-2.5	1022.27	1734.61	1.29	37.06	1780.66	894.94

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5040.0	5055.0	+17.0	5105.0	5030.0	4509	56990
Jun		5114.0	+13.5			0	25

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4767.0	-3.0			0	6349

FTSE 100 INDEX OPTION (LIFFE) (*5006) £10 per full index point

	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P
Jan	259½	80	218	92½	184	109	153½	129	99	152	99	181	78	211	58	245
Feb	344	152	312½	169½	281	187½	248	207	215	225	183½	248	157	274½	129	299
Mar	380	187	359½	206½	328	225½	298	245½	284	265½	234	287½	211	315½	188½	344
Apr	409½	203½	383½	226½	357½	250	331½	274	305½	298	279½	324	261	355	243	387
Jun†			491½	289½			431	328½			370½	369½			319½	423½

Calls 341 Puts 471

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P
Jan	233½	84½	197½	98	163½	114	133	133	105	155	81	180½	60½	2 10	44	243
Feb	332	153	296½	167	264	184	232½	202	203	221½	176½	245	153	271	129½	296½
Mar	376	198½	340	212½	308	229½	279½	250	252	271½	225½	294	201	319	183	350
Jun			409	297½			417½	331½			399	369½			305	412
Sept†			583	339			536	380½			478½	424			429	469

Calls 1,947 Puts 2,774 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT 30 INDEX

	Dec 22	Dec 19	Dec 18	Dec 17	Dec 16	Yr ago	*High	*Low
FT 30	3225.5	3228.7	3288.2	3285.9	3313	2797.1	3430.3	2668.8
Ord. div. yield	3.49	3.49	3.42	3.42	3.41	4.13	4.22	3.29
P/E ratio net	20.78	20.76	21.19	21.19	21.57	17.24	22.33	15.80
P/E ratio nil	20.50	20.48	20.90	20.90	21.26	17.07	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3228.5	3226.3	3225.0	3224.4	3231.1	3235.2	3233.9	3232.5	3217.3	3239.7	3214.6

	Dec 22	Dec 19	Dec 18	Dec 17	Dec 16	Yr ago
SEAQ bargains	42,983	54,634	46,987	49,511	53,234	32,910
Equity turnover (£m)†	-	NA	NA	NA	NA	890.3
Equity bargains†	-	NA	NA	NA	NA	21,695
Shares traded (ml)†	-	NA	NA	NA	NA	302.0

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	657	Total Highs	68	Total contracts	13,506
Total Falls	927	Total Lows	168	Calls	3,390
Same	1,490			Puts	10,116

Dec 22 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§250	F.P.	70.8	267½	262	Autologic	267½		R7.5	2.0	3.5	18.3
§140	F.P.	29.7	167½	148½	†BCO Techs	166½		-	-	-	-
-	F.P.	13.0	21½	16½	Boustead	19½		-	-	-	-
[illegible]											

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 22	Day's chge%	Dec 19	Dec 18	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5018.2	[illegible]									
FTSE 250	4701.8	[illegible]									
FTSE 250 ex IT	[illegible]										
FTSE 350	2415.5	[illegible]									
FTSE 350 ex IT	[illegible]										
FTSE 350 Higher Yield	[illegible]										
FTSE 350 Lower Yield	[illegible]										
FTSE SmallCap	2292.3	[illegible]									
FTSE SmallCap ex IT	[illegible]										
FTSE All-Share	2360.10	[illegible]									
FTSE All-Share ex IT	[illegible]										

FTSE Actuaries Industry Sectors

[illegible]

Hourly movements

[illegible]

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,500	500	-3
AMVESCAP	1,300	485	-8
ASDA Group†	9,000	178	+¼
Abbey National†	775	1028	-37
Airtours	114	1212½	-7½
Alliance & Leicester†	445	817	+12
Allied Domecq†	467	514	+4
Anglian Water	136	830	-5
Argos	187	545½	-7
[illegible]			
Thames Water†	1,700	875	+44
Tomkins†	1,900	294	-2
Unigate	112	587	-2½
Unilever†	3,500	488¼	-3¼
United Assurance	59	623½	
United Biscuits	889	210½	-½
Utd. News & Media†	604	703½	+19½
United Utilities†	1,100	764½	+9½
Vendome	1,400	477½	+16
Vodafone†	9,100	438	+5
WPP	536	285½	
Wessex Water	228	498½	-3
Whitbread†	920	885	-5
Williams†	474	334	+1
Wolseley†	542	488	-8
Woolwich†	2,100	317½	-2½
Yorkshire Water	528	485	-3½
Zeneca†	721	2057	-1

Based on trading volume for a selection of major securities yesterday until 4.30pm. † indicates a FTSE 100 index constituent or reserve. All trades are rounded. Source: Exsel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 22 / Sch)

BELGIUM/LUXEMBOURG (Dec 22 / Frs.)

CZECH REP (Dec 22 / Korunas)

DENMARK (Dec 22 / Kr)

FINLAND (Dec 22 / Mkk)

FRANCE (Dec 22 / Frs.)

GERMANY (Dec 22 / Dm.)

GREECE (Dec 22 / Drachmae)

ITALY (Dec 22 / Lire)

NETHERLANDS (Dec 22 / Fls.)

NORWAY (Dec 22 / Kroner)

POLAND (Dec 22 / Zloty)

PORTUGAL (Dec 22 / Escudo)

SPAIN (Dec 22 / Pts.)

SWEDEN (Dec 22 / Kronor)

SWITZERLAND (Dec 22 / Frs.)

TURKEY (Dec 22 / Tk Lira)

PACIFIC

JAPAN (Dec 22 / Yen)

AUSTRALIA (Dec 22 / Aus$)

HONG KONG (Dec 22 / H.K.$)

INDONESIA (Dec 22 / Rupiah)

MALAYSIA (Dec 22 / MYR)

NEW ZEALAND (Dec 22 / NZ $)

SINGAPORE (Dec 22 / S$)

AFRICA

SOUTH AFRICA (Dec 22 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 22 / Can $) 4 pm close

MONTREAL (Dec 22 / Can $) 4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 19 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY DECEMBER 18 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	194.02	-2.1	172.39	158.17	178.41	197.37	-1.4	3.85	198.21	176.96	160.85	182.65	200.24	243.87	190.41	212.24
Austria (23)	184.70	-1.0	164.10	150.57	169.84	169.72	-1.2	1.95	186.59	166.59	151.42	171.94	171.82	213.59	175.14	184.68
Belgium (27)	262.35	1.0	233.10	213.87	241.25	236.18	0.9	2.92	259.67	231.84	210.73	239.29	234.16	262.35	222.58	222.58
Brazil (30)	212.77	-3.8	189.05	173.46	195.66	436.41	-3.8	2.03	221.20	197.49	179.51	203.84	453.70	322.44	184.94	186.77
Canada (122)	207.43	-1.4	184.30	169.10	190.74	215.03	-0.9	1.84	210.42	187.86	170.76	193.90	217.01	233.66	178.27	197.26
Denmark (32)	432.77	-1.2	384.52	352.81	397.96	398.72	-1.4	1.29	437.91	390.97	355.38	403.54	402.22	441.85	335.44	335.44
Finland (26)	268.88	-3.3	238.89	219.19	247.24	301.67	-3.5	2.08	278.15	248.33	225.72	256.31	312.44	349.43	237.15	237.15
France (84)	229.84	-1.8	204.22	187.38	211.36	213.67	-2.0	2.50	234.12	209.03	190.00	215.74	217.95	246.23	205.72	205.72
Germany (58)	225.41	-1.7	200.28	183.76	207.28	207.28	-1.9	1.42	229.35	204.76	186.12	211.34	211.34	243.87	183.08	183.03
Hong Kong, China (66)	344.44	-2.8	306.03	280.80	316.73	342.71	-2.8	4.66	354.29	316.31	287.52	326.47	352.47	580.03	314.78	487.38
Indonesia (27)	67.24	1.1	59.74	54.82	61.83	210.37	-0.3	3.20	66.52	59.39	53.99	61.30	210.99	254.90	52.01	223.75
Ireland (16)	393.34	-0.6	349.48	320.67	361.71	379.88	-1.0	2.60	395.76	353.34	321.17	364.69	383.66	409.57	311.74	311.74
Italy (53)	113.02	-1.8	100.42	92.14	103.93	146.56	-2.0	1.67	115.06	102.73	93.38	106.03	149.53	115.27	81.65	81.65
Japan (482)	95.17	-4.1	84.56	77.58	87.51	77.58	-3.7	1.02	99.25	88.61	80.55	91.46	80.55	141.12	95.17	131.02
Malaysia (107)	165.66	-1.5	147.19	135.06	152.34	244.05	-0.3	2.98	168.15	150.12	136.46	154.95	244.76	580.85	157.13	585.13
Mexico (27)	1690.02	-2.4	1501.60	1377.77	1554.10	15039.12	-1.6	1.62	1730.76	1545.24	1404.58	1594.89	15276.81	1901.98	1199.83	1210.27
Netherlands (19)	400.60	-3.0	355.85	326.50	368.29	364.40	-3.2	2.30	412.97	368.71	335.14	380.55	376.54	440.67	320.63	320.63
New Zealand (14)	76.56	-1.6	68.02	62.41	70.40	69.72	-1.0	4.43	77.77	69.43	63.11	71.67	70.45	96.47	75.37	91.03
Norway (38)	314.76	-0.9	279.67	256.60	289.44	309.75	-0.8	1.97	317.58	283.53	257.72	292.64	312.19	374.64	279.29	279.29
Philippines (22)	80.14	2.4	71.20	65.33	73.69	156.83	1.4	1.34	78.29	69.90	63.54	72.15	154.70	214.07	74.95	201.22
Singapore (42)	234.15	-2.1	208.04	190.88	215.31	180.30	-2.0	1.77	239.15	213.52	194.08	220.38	183.98	448.01	215.21	414.56
South Africa (43)	259.83	-2.8	230.86	211.82	238.94	276.09	-2.8	3.12	267.32	238.67	216.94	246.33	283.90	370.12	251.92	308.81
Spain (33)	268.62	-2.3	238.67	218.99	247.02	305.35	-2.3	2.21	274.99	245.51	223.16	253.40	312.64	277.33	206.12	207.86
Sweden (49)	460.22	-3.5	408.91	375.18	423.20	527.82	-3.7	1.97	476.95	425.82	387.08	439.50	548.10	538.94	405.00	410.39
Switzerland (31)	331.99	-1.5	294.98	270.65	305.29	294.14	-2.0	1.14	337.04	300.91	273.52	310.58	300.12	337.11	231.69	235.55
Thailand (38)	21.98	-2.9	19.52	17.91	20.20	39.30	-0.7	7.32	22.63	20.20	18.36	20.85	39.57	103.98	19.61	101.78
United Kingdom (213)	329.14	-2.1	292.44	268.33	302.67	292.44	-2.6	3.37	336.17	300.13	272.81	309.78	300.13	337.99	270.44	270.44
USA (641)	386.46	-0.8	343.37	315.05	355.37	386.46	-0.8	1.61	389.46	347.72	316.06	358.89	389.46	401.22	299.79	303.34
Americas (820)	350.70	-0.8	311.60	285.91	322.50	296.04	-0.8	1.62	353.70	315.78	287.04	325.93	298.47	365.75	274.42	277.21
Europe (704)	283.85	-2.0	252.20	231.40	261.02	264.66	-2.3	2.42	289.58	258.54	235.01	266.85	270.87	296.25	230.51	230.61
Nordic (147)	402.57	-2.8	357.68	328.19	370.19	403.05	-3.0	1.87	414.34	369.92	336.25	381.81	415.48	464.93	350.42	350.42
Pacific Basin (873)	105.26	-3.7	93.53	85.81	96.80	86.95	-3.3	1.70	109.30	97.58	88.70	100.72	89.89	158.99	105.26	149.16
Euro-Pacific (1577)	179.75	-2.6	159.71	146.54	165.29	153.73	-2.6	2.17	184.49	164.72	149.72	170.01	157.89	209.12	173.55	182.97
North America (763)	375.05	-0.8	333.24	305.76	344.89	374.92	-0.8	1.62	378.08	337.56	306.83	348.40	377.86	389.57	292.34	296.32
Europe Ex. UK (491)	253.43	-1.9	225.18	206.60	233.05	243.08	-2.1	1.87	258.38	230.69	209.69	238.10	248.40	267.07	204.44	204.44
Pacific Ex. Japan (391)	196.11	-2.2	174.25	159.88	180.34	196.84	-1.9	3.97	200.57	179.07	162.77	184.82	200.61	320.65	192.39	305.03
World Ex. US (1799)	183.30	-2.5	162.86	149.43	168.56	160.16	-2.5	2.16	188.06	167.90	152.62	173.29	164.35	212.89	176.94	185.11
World Ex. UK (2227)	241.14	-1.6	214.26	196.59	221.75	218.81	-1.5	1.70	245.02	218.76	198.85	225.79	222.23	262.89	211.18	217.86
World Ex. Japan (1958)	325.40	-1.3	289.12	265.28	299.23	318.06	-1.4	1.99	329.68	294.34	267.54	303.80	322.48	344.35	270.04	270.04
The World Index (2440)	248.59	-1.6	220.88	202.66	228.60	225.49	-1.6	1.86	252.74	225.65	205.11	232.80	229.27	268.47	216.61	222.36

 CONSTITUENT CHANGES WITH EFFECT 22/12/97: Deletion: Cifra Cl 'A' (Mexico). Name changes: Cifra Cl 'B' to Cifra Cl 'V' (Mexico) and Usinor Sacilor to Usinor (France). CONSTITUENT CHANGE WITH EFFECT 23/12/97: Deletion: Worms & Cie (France).

Emerging markets: IFC Investable indices

SOUTH KOREA (Dec 22 / Won)

TAIWAN (Dec 22 / TW $)

THAILAND (Dec 22 / Baht)

NEW YORK STOCK EXCHANGE PRICES

4 pm close December 22

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	51½	Xerox x	1.28	1.8	17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	40½	Xtra Corp	0.80	1.4	21	1123	[illegible]	[illegible]	[illegible]	[illegible]
25	[illegible]	Yankee Egy x	1.34	5.3	15	91	[illegible]	[illegible]	[illegible]	[illegible]
58	[illegible]	York Int x	0.48	1.2	15	600	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	4	Zapata	0.28	4.1	58	337	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zenith El				3388	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zenith Nat	1.00	3.8	15	78	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zweig Inc x	0.78	9.2		127	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zero	0.12	0.4	27	323	[illegible]	[illegible]	[illegible]	[illegible]
14	10½	Zweig Fund	1.32	9.9		147	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	8	Zweig Total x	0.84	8.9		440	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sh-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7756.29	7846.50	7957.41	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.00	104.91	105.02	105.12 (16/12)	101.09 (14/4)	105.12 (16/12/97)	54.99 (1/10/81)
Transport	3143.24	3173.77	3235.19	3359.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	264.75	265.19	265.88	265.88 (17/12)	209.47 (25/4)	265.88 (17/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 7878.60 (7981.48) Low 7583.29 (7781.36) (Theoretical‡) Day's high 7849.50 (7955.67) Low 7576.99 (7810.44) (Actual‡)

Standard and Poors	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	946.78	955.30	965.54	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials¶	1093.60	1102.88	1115.43	1146.82 (7/10)	885.42 (11/4)	1146.82 (12/12/97)	3.52 (30/6/32)
Financial¶	116.43	118.00	119.13	128.83 (5/12)	80.75 (2/1)	128.83 (5/12/97)	7.13 (4/5/74)
Others							
NYSE Comp.	497.39	501.89	508.59	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	660.88	664.87	671.28	721.90 (7/10)	541.20 (25/4)	721.90 (7/10/97)	524.20 (16/7/98)
NASDAQ Cmp	1524.74	1523.19	1547.37	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	420.05	420.35	426.44	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.38 (7/12/98)

RATIOS

	Dec 19	Dec 12	Dec 5	Year ago
Dow Jones Ind. Div. Yield	1.76	1.74	1.68	2.04
	Dec 17	Dec 10	Dec 3	Year ago
S & P Ind. Div. yield	1.49	1.48	1.46	1.87
S & P Ind. P/E ratio	25.90	26.09	26.33	22.74

US DATA

MARKET ACTIVITY

Volume (million)	Dec 19	Dec 18	Dec 17
NYSE	793.000	618.870	618.900
Amex	34.905	29.298	28.985
NASDAQ	803.565	750.936	789.244

NYSE	Dec 19	Dec 18	Dec 17
Issues Traded	3,441	3,456	3,440
Rises	868	1,023	1,645
Falls	1,969	1,912	1,288
Unchanged	464	521	487
New Highs	123	137	202
New Lows	158	85	68

NYSE TRADING ACTIVITY Volume : 793,000,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq	8,582,500	63⅛	–½
AT & T	7,897,000	61⅛	+2⅛
Gen Elec	7,404,400	73⅛	–⅞
Coca Cola	7,270,100	65⅞	+1⅛
Nike B	6,808,500	40⅛	–3⅞
Ph Morris	6,586,700	44⅞	–⅞
Micron Tc	6,267,700	27½	+3⅞
IBM	6,067,800	102	+2⅛
First Data	6,049,800	28	–½
Texas Ins	5,354,400	45⅞	+2⅞

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Cond Nast	39⅛	+4½	+12.8
Ashtar	119⅛	+1⅞	+12.2
J Ray	38⅛	+3⅞	+11.0
SGS–Thms	58½	+4⅞	+8.9
Downs			
Nike B	39⅞	–3⅛	–8.1
Volt Info	54	–4⅛	–7.5
Raytheon	51⅛	–3⅛	–6.8
Lear Corp	45	–2⅞	–6.1

NASDAQ TRADING ACTIVITY Volume 803,565,000

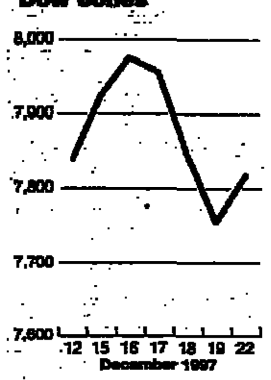
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Intel	26,589,100	70	+⅞
Dell Cmp	22,599,600	78⅞	–2⅞
Oracle	17,401,600	21⅛	–⅛
Three Com	17,027,000	32⅛	–½
Microsoft	16,788,000	128⅞	–2⅞
Cisco	16,533,400	53⅞	–⅛
Appld Mtl	12,943,700	30	+1⅛
Sun Micro	10,369,600	38⅞	+1⅛
Ascend Cm	8,418,300	27⅞	+3⅞
Worldcom	8,089,600	33⅞	+⅞

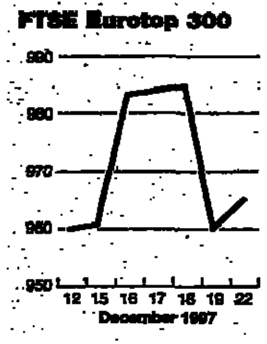
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Micrel	27¼	+4¼	+18.5
First Ctzn	38	+5⅞	+18.0
Harbinger	24⅞	+3⅞	+18.8
Flexplus	33⅞	+4⅞	+18.1
Downs			
Oswego Cty	26⅛	–3⅞	–12.9
Maverick	23	–2⅞	–10.2
Intl Tele	22⅞	–2⅞	–9.6
Memogenics	39⅞	–3⅞	–8.1

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	14799.40	15314.89	16161.64	20681.07	14799.40	38915.8	85.25

TOKYO TRADING ACTIVITY Volume : 676,000,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Toshoku	77,233,000	2	–1
Yamaichi Sec	28,043,000	1	
Sakura Bank	20,600,000	360	–58
Fuji Bank	15,219,000	458	–67
NKK Corp	12,168,000	95	–7
LTCB	11,400,000	178	–32
Daiwa Bank	10,326,000	221	–74
Sumo Mit Ind	9,266,000	170	–29
Yasuda T & B	8,608,000	130	–3
Np Steel Co	8,404,000	184	–4

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Goldwin	80	+12	+17.7
Ojiat Indl	185	+25	+15.6
Downs			
Nippon Lace	45	–44	–49.9
Kaiho	130	–60	–31.6
Fuji & Co	100	–45	–31
Np Convyr	76	–34	–30.9
Ymsra Glass	141	–59	–29.5
Tokai Kanko	44	–17	–27.9

FRANCE

	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2860.73	2822.90	2894.50	3094.01	2256.97	3094.01	984.61

PARIS TRADING ACTIVITY Volume : 383,578,460

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
AGF	1,690,998	316.5	–0.5
Usinor	1,596,000	80.9	–0.7
Paribas	671,498	504	+15
Fr Telecom	653,185	208.8	+2.3
B.N.P.	528,553	315	+8.9
Euro Disney	512,224	7	–0.1
Axa–UAP	511,547	463	+3.5
Elf Aqtn	501,327	669	+11
Renault	485,391	169.5	+4.4
Schneider	448,917	300	–1.5

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
SCAC Delmas	1050.0	+130.0	+14.1
TPI	523.0	+52.8	+11.2
Bolle Com	154.5	+13.7	+9.7
Damicom	245.6	+20.3	+9.0
Downs			
Grandoptical	237.4	–712.6	–75.0
GTMH	56.2	–20.8	–27.0
Bio Scientific	298.0	–7.09	–10.2
CMM Indo	9.65	–1.85	–16.1

GERMANY

	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4043.02	4094.75	4166.24	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY Volume : 12,569,074

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Commerzbank	1,136,204	72.5	–2.3
Bayer	800,221	80	–0.7
Siemens	636,050	100.55	
Daimler–Benz	578,419	113.3	–3.9
BASF	572,541	59.3	–1.4
Hoechst	511,796	58.8	–1.8
Dt Telekom	471,930	31.25	+0.25
Deutsche Bk	445,173	124.1	+0.15
Dresdner Bk	423,972	81.1	
Veba	387,809	115.1	–1.6

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Hornbach Prf	118.5	+14.4	+13.7
Krones Prf	512.0	+47.0	+10.1
Dragerwek Prf	33.0	+3.0	+10.0
Data Modul	76.0	+6.0	+8.6
Downs			
Babcock BSH	87.0	–11.0	–11.2
Mobest	11.1	–1.16	–9.5
Villeroy Prf	210.0	–21.0	–9.1
Escada	220.0	–16.0	–6.8

UK

	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5018.2	5020.2	5169.3	5330.80	4055.60	5330.8	986.9

LONDON TRADING ACTIVITY Volume : 642,000,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Cara First	60,185,750	169½	+17½
Shell T&T	11,210,990	424½	+4½
BTR	9,358,223	181½	–3
Vodafone	9,085,448	438	+5
ASDA	9,042,080	178	+¼
Rugby Grp	8,978,502	133	+1
Diageo	8,888,867	570	–1
Centrica	8,413,824	91	+1¼
Chubb Wy	7,592,481	95	–2
Smith & Neph	7,554,208	180	–4¼

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Home Count	475	+235	+97.9
Sperati	987½	+287½	+41.1
Lillesall	82½	+10	+13.8
Boston Hair	55	+6½	+13.4
Downs			
French	37½	–15	–28.6
Stever & Zig	725	–275	–27.5
Montangle	65	–15	–18.7
Scotia	265	–52½	–16.5

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	956.90	958.20	+0.70	958.40	948.00	132,759	357,236
Jun	–	967.50	–	–	–	557	8,372
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Mar	15180.0	14690.0	–550.0	15260.0	14470.0	29,220	169,306
Jun	14920.0	14690.0	–530.0	14920.0	14480.0	214	30,499

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2883.0	2875.0	+44.0	2889.0	2823.0	14,971	26,484
Jan	2840.5	2881.5	+44.0	2891.0	2830.0	6,640	22,689
DAX							
Mar	4110.0	4166.0	+70.5	4174.5	4062.5	11,554	60,346
Jun	4110.5	4192.0	+39.0	4167.0	4094.5	146	8,005

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2310.00	2308.25	+12.25	2315.00	2285.50	6,441	13,148
Jan	2315.25	2315.00	+11.50	2321.50	2292.00	5,994	18,861
SOFFEX							
Jan	6019.8	6074.0	+69.00	6074.2	5974.0	2,368	19,903
Mar	6062.0	6091.0	–	6062.0	6062.0	2	–

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Yield	P/E
Argentina	General	21776.30	21594.55	21955.98	25771.79 22/10	18237.37 2/1	3.41	18.2
Australia	All Ordinaries	2503.4	2528.1	2563.1	2779.28 25/9	2289.29 28/10	3.64	18.2
	All Mining	574.6	577.0	580.4	992.19 24/2	541.30 27/11		
Gold sector rallied 2.5 per cent, helped by firmer bullion and a US$640m bid for Platinic by US-based Homestake.								
[illegible]								

Country	Index	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Yield	P/E
Hungary	Bux	7511.96	7501.77	7612.73	8483.80 5/8	4291.38 9/1	na	na
India	BSE Sens.	3618.34	3540.91	3472.35	4548.02 5/8	3228.24 2/1		
	Crisil 500	658.94	646.63	637.83	843.26 5/8	615.29 12/12	na	na
[illegible]								

Country	Index	Dec 22	Dec 19	Dec 18	1997 High	1997 Low	Yield	P/E
Poland	WIG	13519.8	13767.2	14061.9	16339.40 18/2	13519.80 22/12	1.81	10.3
Portugal	BVL 30	3676.50	3653.70	3700.19	3700.19 18/12	2186.57 2/1	1.58	26.8
	PSI 20	8566.63	8500.30	8609.41	8609.41 18/12	6182.34 2/1		
[illegible]								

NASDAQ NATIONAL MARKET

4 pm close December 22

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4 pm close December 22

[illegible]

EASDAQ

[illegible]

Merger-led rally runs out of momentum

AMERICAS

With a flurry of morning merger announcements, Wall Street opened strongly but saw much of its momentum fizzle out by midday, *writes John Labate in New York.*

The morning rally was in part a follow-through from Friday afternoon's upward move when the Dow Jones Industrial Average rebounded from an intra-day loss of more than 260 points to end the day down a bare 90.

Weighing on the market yesterday, however, were concerns about future earnings. "As soon as we see the end of the holiday season, we will see a massive number of analysts cutting their estimates for 1998," said Bill Meehan, chief market analyst at Cantor Fitzgerald in Connecticut. "The fourth quarter should probably be fine, with most companies making their estimates."

By early afternoon the Dow Jones Industrial Average was up 5.48 at 7,761.77, while the broader Standard & Poor's 500 index gained 1.18 at 947.96.

Leading the Dow higher was Hewlett-Packard, up $1⅞ to $62⅝, and AT&T, which gained $1¼ to $62⅝. But pressure came from Travelers Group, which continued to weaken, down $1⅞ to $51⅝.

Technology stocks stayed firm. The Nasdaq composite index rose 4.58 at 1,529.32. The bond market was mixed with no fresh economic news released. Most of the buying was on the long end of the curve and the long bond added ⅛ to 103⅝, sending the yield down to 5.899 per cent.

In the energy sector, American Electric Power's $6.6bn takeover of Central and South West Corporation sent Central's stock price up $¾ to $27⅛. AEP's share price slid $1½ to $50¼.

In the financial sector, American International Group rose $¾ to $105¼ after announcing plans to buy American Bankers, an insurance company. American Bankers' shares gained $1⅛ to $45¾.

TORONTO moved higher with most of the upturn created by a continued rally for gold stocks. Overall volume was on the dull side with many traders closing their books early for the Christmas break. The 300 composite index was up 32.76 at 6,568.10 at noon.

Barrick Gold jumped 50 cents to C$25.95 following the upturn for the bullion price and Placer Dome added 35 cents to C$17.35.

Banks, the other index heavyweight sector, was mixed. Royal Bank of Canada added 55 cents to C$75.50 but Toronto Dominion Bank came off 10 cents to C$53.30.

Drinks and entertainments leader Seagram gained 20 cents to C$43.80. Among techs, Newbridge Networks added 50 cents to C$51.50 and BCE jumped C$1.35 to C$46.60.

São Paulo edges ahead

Latin American centres traded narrowly in low volume as seasonal factors took hold of sentiment.

SAO PAULO was one of the few leaders to stay positive, adding 53 or 0.6 per cent to 9,192 on the Bovespa index at midsession. "It was a bounce back after two days of declines, but turnover was rock bottom. There is very little going on," said one broker. Market leader Telebrás took its cue from Wall Street where its ADRs improved. The shares gained 2.1 per cent to 115.90 pesos.

MEXICO CITY eased in thin trading. At midsession the IPC index was off 15.48 at 4,931.05. Dealers said the looming holiday was making for dull volumes.

Nikkei tumbles below 15,000 to two-year low

ASIA PACIFIC

The Nikkei 225 average closed below 15,000 points for the first time in two years, *writes Paul Abrahams in Tokyo.*

The index closed down 515.49 or 3.4 per cent at 14,799.40. The intra-day low of 14,569 was close to a 10-year low. Turnover was surprisingly heavy, given the season, with 676m shares traded on the first section of the exchange.

Analysts said that the market was driven down by the unwinding of cross-shareholdings and concerns that tighter bank lending could cause further bankruptcies after last week's collapse of Tosboku, the food trader.

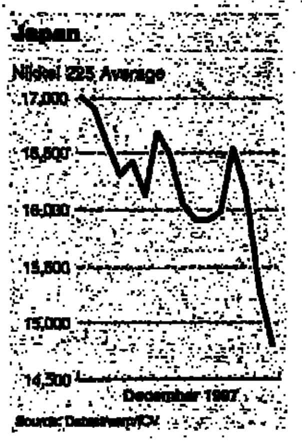
The decline was broad-based. Of the 1,327 shares in the first section, 1,026 fell, 169 rose and 92 were unchanged. More than 680 shares posted lows for the year. The Topix index of all first section shares dropped 3.2 per cent or 37.38 to close at 1,130. The Nikkei 300 average closed down 7.56 or 3.2 per cent at 227.05. The Nikkei 225's intra-day high was 15,280.

In London, the ISE/Nikkei 50 index rose 6.52 to 1,422.87.

The forestry sector was the biggest faller, down 7.8 per cent, on concerns that the continuing fall of the yen would increase the cost of raw material which is priced in dollars. The oil sector fell 6.3 per cent on similar worries.

However, the banking sector was of greatest concern with a fall of 6.3 per cent. Daiwa Bank dropped 25 per cent to Y221 in heavy trading with more than 10m shares traded.

Fuji fell 12.7 per cent on worries about its loan book, stock portfolio and links with other troubled members of the Fuyo group.



Yasuda Trust, a troubled bank in the Fuyo group, dropped Y3 to Y130 with 8.6m shares traded.

Sumitomo Sitix fell 32 per cent to Y1,460 on worries about whether its merger with Sumitomo Metal Industries would be completed. In Osaka, the OSE index fell 550 or 3.6 per cent to 14,591 in volume of 26m shares.

HONG KONG slid 2.4 per cent, dented by Wall Street's drop on Friday, slumping stocks in Tokyo and falling futures. The Hang Seng index finished 233.34 lower at 10,172.47, with the fall exacerbated by turnover of just HK$6.1bn.

Red chips also suffered a heavy blow and the China-Affiliated Corporations index plunged 4.5 per cent.

China Resources dropped 55 cents to HK$16.55 and Shanghai Industrial lost HK$1.20 to HK$28.20. Properties also took a beating with Cheung Kong marked down HK$1.30 to HK$48.00.

SINGAPORE was depressed by selling in property stocks and in Singapore Airlines. The Straits Times Industrials index sagged 30.96 or 2 per cent to 1,541.65. Market volume was a modest 137m shares with 307 losers swamping 62 gainers.

News of SilkAir's crash in Indonesia on Friday sent its parent, Singapore Airlines, falling. The local tranche dropped 40 cents to S$7.40 while the foreign share fell 30 cents to S$10.80.

JAKARTA rode out the regional weakness with bargain-hunting by local investors sending the composite index up 7.05 or 1.9 per cent to 385.85. Turnover was moderate at Rp304bn.

Telkom, where there was said to have been support from government sources, rose Rp100 or 3.7 per cent to Rp2,800 with 9m shares changing hands. Conglomerate Bimantara Citra traded 19.3m to close unchanged at Rp1,150 rupiah. Astra fell Rp50 to Rp1,475, a decline of 3.3 per cent.

BANGKOK came off 2.2 per cent as a bad day for the baht in the foreign exchanges sparked steady selling. The SET index ended 8.30 lower at 376.95 on Bt2.8bn turnover.

A downgrade by Moody's Investors Service for Thailand's foreign currency ceiling for bonds also depressed sentiment. The banking sector fell 5.6 per cent.

SOUTH AFRICA

Shares in Johannesburg improved modestly with the all share index ending a session of low volume 7.6 higher at 6,042.3.

Golds continued to rally, but there was no shortage of weak features among financials and the broader resources marker. JCI, for example, lost 4 per cent, sliding R1 tp R22. Golds stayed in demand on the back of an improving bullion price. The index added 26.8 or 3.5 per cent to 791.7.

Banks again in focus as Frankfurt climbs 1.7%

EUROPE

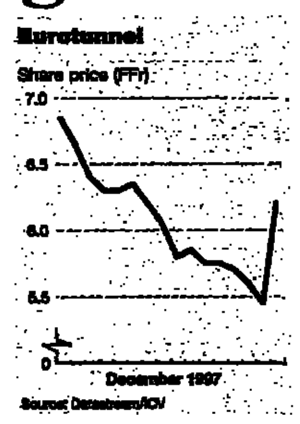
Wall Street's early performance and the stronger dollar lifted many leading European bourses.

FRANKFURT finished 1.7 per cent higher although activity was muted ahead of the Christmas holidays. The Xetra Dax index closed up 70.19 at 4,125.54.

Commerzbank took a knock in very busy trade as the market continued to react to speculation about a takeover by Deutsche Bank.

Both banks again refused to comment on the speculation and many analysts insisted that such a merger was highly unlikely. Commerzbank, which hit an all-time high last Friday, gave up DM1.10 to DM74.20 while Deutsche Bank firmed on the rumours, adding DM3.85 to DM124.85.

Allianz climbed DM14 to DM467 after Friday's confirmation that it had reached an agreement with Generali which will prevent the two insurers from becoming involved in a takeover battle for AGF. Many analysts have upgraded their stance on Allianz as a result.



Adidas jumped DM7 to DM224 after news that the German cartel office had approved its DM2.4bn takeover of sports equipment group Salomon.

PARIS rose 1.7 per cent on the back of solid gains for index heavyweights Renault and LVMH, plus a bumper bounce for SGS-Thompson. The CAC 40 index closed up 46.83 at 2,869.73.

SGS responded to the firmer dollar and the rally on Wall Street for high-tech shares, gaining FFr38.00 to FFr354.5. The dollar was the main driver at LVMH sending the stock up FFr36.00 to FFr930.

Motors remained in demand on persistent talk of sector reorganisation. Peugeot gained FFr23.00 or 3.3 per cent to FFr725 and Renault rose FFr4.40 to FFr169.5. Michelin improved FFr3.00 to FFr280.

But some the day's heavier action was seen among second-liners. Eurotunnel traded more than 6m shares after the channel tunnel group announced an operating extension to 2,086. The shares jumped 75 centimes or 3.8 per cent to FFr6.20.

Spirits leader Remy Cointreau rose FFr2.80 or 3.3 per cent to FFr87.40 after Pernod Ricard was suspended from trading. The latter is in talks aimed at a big disposal, and sector restructuring was a hot theme yesterday.

AMSTERDAM ended little changed in dull volume with the AEX index up 5.33 at 884.82.

Retailer Ahold put on Fl 1.30 at Fl 52.00 and Philips, the electronics giant, helped by the improved turn of sentiment among US high-tech sectors, gained Fl 2.60 or 2.2 per cent at Fl 119.40.

FTSE Actuaries Share Indices — European series

December 22

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	965.21	+0.54	+5.21	2.31	0.04	972.28
FTSE Eurotop 100	2226.54	+0.38	+7.90	-	-	-
FTSE Eurotop 300 Regions						
300 UK	977.97	+0.01	+0.12	3.23	0.11	993.46
300 Ex-UK	958.52	+0.85	+8.12	1.79	0.00	960.86
300 Eurobloc	940.43	+0.68	+6.31	2.00	0.00	943.84
300 Ex-Eurobloc	983.76	+0.45	+4.41	2.53	0.07	993.53
FTSE Eurotop 300 Economic Groups						
Resources	916.54	+1.09	+9.92	3.00	0.00	931.32
General Industries	886.03	+1.07	+9.34	2.21	0.00	888.15
Consumer Goods	960.93	+0.52	+5.01	1.90	0.00	971.30
Services	958.35	+0.06	+0.61	2.35	0.00	963.60
Utilities	1012.89	+0.58	+5.82	2.75	0.42	1021.35
Financials	1034.22	+0.23	+2.38	2.23	0.00	1039.93

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Akzo Nobel, which unveiled plans for a paint venture in Russia, came off Fl 6.50 or 2 per cent at Fl 322.50.

ZURICH finished a choppy session higher, helped by the stronger dollar and Wall Street's firmer opening. The SMI index finished up 59.40 at 6,049.30.

Financial issues turned in a good showing, led by CS Group which gained SFr5.25 to SFr225.50 as speculation receded that it planned a takeover or merger with Germany's Commerzbank.

UBS jumped SFr30 to SFr2,127 and SBC gained SFr8.50 to SFr456.

Among the insurers, Zurich gained SFr19 to SFr670 but Baloise, a recent target of merger speculation, lost SFr34 to SFr2,776.

In dollar-sensitive issues, Ciba gained SFr1.50 to SFr167.50 while Nestlé added SFr7 to SFr2,137.

SAir Group, parent of Swissair, issued a bullish 1997 performance report and gained SFr65 to SFr1,962.

The Swiss based Richemont lost SFr20 to SFr1,570 on the news that it planned to buy the remaining 30 per cent stake in Vendome that it did not already own.

BRUSSELS had a turbulent session in what was seen as an over-reaction to index weight reshuffles on Friday.

Dexia gave up BFr1,000 to BFr4,900 after its late 25 per cent leap on Friday after the share joined the Bel 20 index of blue chips. It took the place in the index of BBL, which has been taken over by ING, the Dutch financial services group. The Bel-20 index finished 62.82 lower at 2,391.52.

Fortis fell BFr370 to BFr7,360, paring large gains made on Friday, and Tractabel lost BFr195 to BFr3,205.

ATHENS nursed large losses after a broadly-based decline attributed to widespread trading apathy due to the Christmas recess and poor sentiment due to firmer interbank rates and forex outflows.

The general index fell 30.45 or 2 per cent to 1,461.21.

Written and edited by Michael Morgan, Jeffrey Brown and Peter Hall.